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The Middle East

Likud's return to power in Israel, the Islamist coalition government in Turkey, and the Kurdish civil war in northern Iraq are among the topics examined in the January issue. Articles scheduled to appear include:

The Israeli Elections

Gideon Doron, Tel Aviv University

Turkey

Jenny White, Boston University

Iran

Farhad Kazemi, New York University

The Kurds and the Regional Balance of Power

Henri Barkey, Lehigh University

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Augustus Richard Norton, Boston University

The Persian Gulf War Revisited

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COMMENTS ON THIS MONTH'S ISSUE

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CURRENT HISTORY

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"Most American analysts ascribe an immutable inertia to Japan's security strategy. 'The United States-Japan alliance will never change unless there is a major external change in the security environment' is a common refrain. This perspective, however, overlooks three fundamental transformations that are taking place inside the alliance. These transformations are in Japan's electoral system, its economy, and its military relations with the United States."

Japan as an "Ordinary Country"

JAMES SHINN

National security was barely mentioned in America's recent presidential contest; it figured even less in Japan's October 20 parliamentary election. But despite this inattention, the ground has shifted under the United States-Japan security alliance, a remarkably long-lived arrangement that may now be in slow-motion collapse—with profound consequences for the national security of both nations.

Most American analysts ascribe an immutable inertia to Japan's security strategy. "The United States-Japan alliance will never change unless there is a major external change in the security environment" is a common refrain. This perspective, however, overlooks three fundamental transformations that are taking place inside the alliance. These transformations are in Japan's electoral system, its economy, and its military relations with the United States.

The evidence for some of these internal transformations is still spotty. Moreover, all three shifts are moving along different time frames. The transformation of Japan's electoral system was legislated three years ago, but only implemented with the October 20, 1996, election. The Japanese economy has been stalled for four years, but the underlying slowdown in long-term growth has been under way

for a decade. The major military underpinnings of the United States-Japan alliance were knocked away with the collapse of the Berlin Wall, but political fault lines in the relationship had deepened well before 1989.

REWRITING THE ELECTORAL RULES

The most obvious result of Japan's October 20 election was a distinct bunching toward the center of the political spectrum. Candidates on the extremes were lopped off. Smaller parties took a drubbing; the exception was the Communists, who survived, but at levels so low as to be irrelevant. The once-powerful Socialists have been virtually wiped out.

Three major parties were left standing: the Liberal Democratic Party (LDP), headed by Prime Minister Ryutaro Hashimoto; the Shinseito (Renewal Party), headed by Ichiro Ozawa; and the Minshuto (Democratic Party), headed by Yukio Hatoyama and Naoto Kan. All three parties have their roots in the LDP's feuding intraparty factions known as *habatsu*. But for this election these three *habatsu* mutated into formally contesting political parties, feuding more on policies and less on personalities, and under very different rules of the electoral game.

Japanese voters did not suddenly cluster toward the center: the districts and the rules, not the voters, changed dramatically. Popular pressure for political reform has been building for years, culminating in the passage in 1993 of a new electoral law under Prime Minister Morihiro Hosokawa's cabinet

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that was put into practice this October. Under the new law, 300 members were elected from single-seat, winner-take-all districts; 200 were elected from party slates in 11 nationwide districts.

The previous system of electing 511 members from multiple-seat districts had the perverse feature of pitting party members against each other in almost every electoral district. This corroded party solidarity and discounted the value of national party affiliation. The peculiar mathematics of the multiple-seat district system also left plenty of room for smaller parties to take Diet seats. The new system has created—in principle—more powerful national parties, with greater member loyalty and greater differentiation on national policy.

The new system has also ostensibly undermined the cohesion of the *habatsu*, whose constant jockeying and backbiting have dominated Japanese politics for decades. Under the old system a local candidate had limited faith in the national party, which was fielding at least one direct competitor in his district, so he relied instead on his *habatsu* connection to help raise funds and extract favors from the bureaucracy for his constituents. The candidate distinguished himself from his local opponents with “pork,” not policy.

Stronger national parties should also retrieve authority from government bureaucrats, long viewed as their trusted agents. The Japanese term for these officials, *kanryo*, had none of the pejorative ring of “bureaucrat”—until recently. But today, not only do the political parties no longer entrust policy to bureaucratic discretion, they also no longer trust the bureaucrats personally. Rival centrist parties mean alternating governments. The *kanryo* must therefore learn to serve two masters. The seeds of distrust were sown in the LDP during its months of bitter exile from power in 1993, when, as LDP veteran and former defense chief Koichi Kato told this author, “We were suddenly cut off from all power. The *kanryo* stopped returning our calls. We were nobodies.”

Is there any evidence that the politicians are turning on the *kanryo*? All three centrist parties consistently bashed the bureaucrats during the campaign. Reform of the bureaucracy is one of the formal goals of Hashimoto's LDP. The co-head of the Minshuto, Naoto Kan, made his political name by tangling with and ultimately subduing the bureaucrats when he was health minister. And Ichiro Ozawa has had it in for the bureaucrats for years. The *kanryo* were given a shocking preview of this new political landscape when their leading candi-

date for the Ministry for International Trade and Investment (MITI) vice-minister post was publicly humiliated and fired in the early days of Prime Minister Hosokawa's term, allegedly at Ozawa's insistence. This unprecedented intervention was widely described as “killing a rooster to scare the monkeys.”

ECONOMIC SLOWDOWN AND THE BUDGET SQUEEZE

The second fundamental transformation underlying the October 20 election is Japan's lackluster economic performance. The economy has stalled for two reasons. One is long term, predictable, slow-moving, and inevitable; the second is short term, unexpected, fairly sudden, and entirely avoidable.

The long-term cause of the slowdown is economic maturation. Japan's labor force is rapidly aging and will soon begin to shrink. Japanese industrial investment has been consistently high for decades, to the point where the ratio of accumulated capital to output is more than three to one—the highest in the world. Shrinking marginal returns have triggered a tailing off of domestic investment and led to foreign direct investment (FDI) instead. Moreover, Japanese productivity growth has slowed to a snail's pace and is unlikely to accelerate; the rapid “catch-up” phase that relied on foreign basic technology is over. All this means that long-term growth rates for Japan over the next decade will hover around 2 to 3 percent at most—a staggering letdown from the 8 to 10 percent rates seen in the 1970s.

The short-term reason for Japan's slowdown is the macroeconomic equivalent of a deep ditch. The Japanese economy has been operating well below capacity for almost five years. The current gap between actual and potential GDP is between 2 and 3 percent (the so-called deflationary gap). This gap is due to cyclic shifts and poor financial regulation, which triggered a gut-wrenching asset deflation after a huge speculative run up from 1985 through 1993 created the “bubble economy.”

Japan's deflationary gap was deepened by the pent-up pressures of adjusting to the international economy. As Japanese savings and investment poured offshore they created a consistent balance of payments surplus. This capital outflow was compounded by a thicket of Japanese nontariff barriers to imports. When the Japanese authorities were unable to consistently recycle these surpluses offshore, the yen soared, but because of the protectionist barriers, imports grew slowly. The yen stayed

high and Japanese exports were hammered, with predictably dismal effects on business and consumer confidence.

Flat private sector demand left only government monetary or fiscal policy to pull the economy out of the ditch. But monetary policy has been singularly ineffective. Even though the Bank of Japan discount rate is at a record low, it has failed to stimulate growth because the banking system is still incapacitated by the collapse of the bubble economy. The Finance Ministry estimated the sum of nonperforming loans for all financial institutions at 35 trillion yen (about \$300 billion) as of mid-1996; some private estimates run much higher. It will take the banking sector between three and five years to deal with the bad loan problem. In the meantime, the banking system is a fragile mechanism with which to stimulate aggregate demand.

The other remaining government policy tool is fiscal policy, in the form of deficit spending to reflate demand. The limited recovery in 1996 is due primarily to government spending on public works projects. But the Japanese government deficit is now 4 percent of GDP, enormously high by historical levels and more than twice that of the United States deficit in 1996.

The net effect of Japan's long- and short-term economic slowdown, combined with the aging population, is an enormous squeeze on government spending. The Ministry of Finance budgets are awash in red ink and are looking to squeeze every item of government expenditure, including the "luxury" of national defense. There was ample evidence of this squeeze in the rancorous fiscal 1997 budgetary infighting that saw military spending capped at a 2.9 percent growth rate, not the 4.5 percent requested by the Japan Defense Agency (JDA).¹

THE ALLIANCE ADRIFT

The third transformation in Japan—the slowest moving and longest in the making—is the loosening of the military alliance with the United States. The underpinnings of this alliance have been deeply eroded or eliminated by the post-cold war transition.

The Soviet military threat that sustained the American-Japanese alliance throughout the cold

war is rusting away or being broken up for scrap. China's growing military muscle is a future threat currently far outmatched in equipment and training (if not in size) by the SDF, not to mention United States forces. The standoff on the Korean peninsula has been sustained for 40 years.

It is still possible that engagement rather than confrontation can bring China and perhaps even North Korea into the community of nations. In the absence of a clear and present danger, neither American nor Japanese citizens see the need for a heavily armed alliance. While poll data suggest that the Japanese public still believes the United States will defend Japan in the event of an attack, the Japanese public remains strongly negative about the presence of American troops. This deep inconsistency in popular views toward the alliance would be unimportant if Japanese politicians had invested political capital in "selling" the merits of the United States alliance to the public, but they have not.

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The alliance has been marked by ambivalence and indirection in public discourse in Japan, and sustained with a series of commitments to appease pacifists and neutralists. LDP politicians have observed the so-called 1 percent defense-ceiling rule (that is, defense spending cannot exceed 1 percent of GNP), strictly interpreted the Article 9 "renunciation of war" clause of the constitution, and split hairs over the legality of "collective security." The net effect has been not only to buy off the neutralists at home, but to neutralize American pressure on Japan

to pay more of the cost and to increase its own defense efforts.

The advocates in the United States of forward deployment argue that Japan pays \$5 billion toward the cost of stationing troops in Japan, and that it is cheaper for the United States to keep these troops there than to bring them home. And although Japan is far more generous in its burden-sharing contribution than the Europeans, it still does not pay for the real cost of American forces in Japan, such as personnel expenses, equipment, and research and development costs associated with these. This is, by any measure, a tremendous bargain for Japan.

Sensitivities about the inequity in burden sharing have been inflamed by accumulated trade friction, which has been aggravated by a huge bilateral trade imbalance. The American public perceives Japan as a closed market defended by truculent

¹The JDA is the civilian agency that administers the Self-Defense Forces (SDF), which include the army, navy, and air force.

bureaucrats who respond only to pressure tactics. The mirror-image perception in Japan is of bullying, threatening, "crybaby" Americans who must be firmly dealt with by a Japan that can say "no."²

What will be the net effect of these three transformations on Japan's national security strategy? Japan must decide on five major aspects of its strategy: the roles and missions of the SDF; the level and nature of the country's defense spending; the standing of the JDA within the government; Japan's quest for a UN Security Council seat and role in UN peace-keeping missions; and, most delicately, the question of nuclear weapons.

Threats, Roles, and Missions

The electoral transformation will force party leaders to make clear pronouncements on Japan's national security—and threats to that security—rather than the carefully hedged, platitudinous mumbling that has passed for official foreign policy statements. Leaders of the three centrist parties will make clearer statements because they need to differentiate themselves from one another on policy in order to get votes. They will also have less need to mollify the left, since it has been marginalized by the new electoral system.

A frank public discussion of Japan's national security concerns will probably fan Japan's latent nationalism. Ambitious politicians from the three centrist parties will likely play to this nationalism, cautiously but regularly, and to the potent sympathies of the Association of War Bereaved Families—one of Prime Minister Hashimoto's support groups. Over time, a prime minister's visit to the Yasukuni Shrine of the War Dead will be as commonplace as a United States president's visit to the Tomb of the Unknown Soldier.

A real policy debate means strong opinions. And because these strong opinions will be broadcast to the public, they will also be heard by Japan's allies and adversaries. This is likely to sharpen rhetorical exchanges with China and both Koreas. Americans may not like all of what they hear of this public debate.

²Ironically, Japan's trade surplus is plunging as a result of yen appreciation and the lagging consequences of Japan's foreign direct investment. The current account surplus peaked at about 15 trillion yen in 1993 and dropped to 10 trillion yen in 1995; estimates for 1996 are as low as 5 trillion to 6 trillion yen.

³Kent Calder, *Crisis and Compensation: Public Policy and Political Stability in Japan* (Princeton: Princeton University Press, 1988), p. 448.

Japan's economic transformation—especially the huge and growing stock of Japanese investment in Southeast Asia—will affect national security by pulling the SDF's role and missions farther south. Defense of the sea-lanes was the main argument used to justify the expansion of the SDF's mission under Prime Minister Zenko Suzuki in 1981. Japan's key sea-lanes run through Southeast Asia. The "Suzuki Sea-Lane Doctrine" discarded the concept of convoy defense in favor of sea routes, which has broadened to the defense of maritime space. Defending an area requires a far more sophisticated and aggressive military capability, which can now be linked with the protection of the 90,000 Japanese nationals and more than \$60 billion of cumulative FDI in Southeast Asia (these figures exclude China and Korea but include Taiwan and Hong Kong).

Defense Spending

The ruling party may intervene in the budget process and push defense spending above the 1 percent GNP limit if the United States begins a force withdrawal, or if a serious security threat suddenly emerges in East Asia. The fiscal 1997 defense cap showed classic "incrementalism": every budget claimant received a marginal increase based on precedent, plus LDP log-rolling. But the incremental pattern may not hold, and the Finance Ministry may not call the shots. As Kent Calder has persuasively argued, LDP politicians have periodically stepped in to impose big changes on both budgets and agencies in periods of discontinuity or when challenges have been made to the governing system. "In times of political turbulence and flux, politicians take unusual initiative in policymaking, and stability-oriented bureaucrats and big businessmen defer to and even encourage such political initiative and preeminence."³

The ruling party would, however, encounter stubborn popular resistance. Polling data from 1985 through 1995 have been consistent on this point: about 60 percent of the Japanese public believe Japan's military spending is at the "right level"; 30 percent favor a "decrease," and 10 percent favor an "increase." Burden sharing is even less popular. The case for burden sharing, or for that matter the logical link between United States forces in Japan and America's security guarantee for Japan, has not been made persuasively to the Japanese public.

It will be easier for the ruling party to make the case for defense spending than for burden sharing. The opportunistic rebuttal in a public debate on

burden sharing is likely to be that "if Japan must spend \$5 billion on defense, then let's spend it on our own SDF, not on these increasingly unreliable and ungrateful American mercenaries." A public counterargument by the ruling party that \$5 billion is a terrific bargain will open Japan to pressure from the Americans to pick up the full tab for United States forces. Either way, the burden-sharing issue is going to become even more controversial, and the odds of Japan's paying a larger share under the budget squeeze are slim.

Other aspects of Japan's economic transformation—especially the FDI flood and the excess capacity of domestic manufacturing—will make weapons sales even more important to domestic contractors. However, a drive to increase arms production will collide with Japan's self-imposed "ban" on weapons exports. The arms export ban is even older than the 1 percent rule, and was introduced by Prime Minister Eisaku Sato in 1968 for reasons of political expedience. But exports are the fastest way to increase unit volumes without spending more defense dollars. If a public debate over Japan's national security justifies increased defense spending on the basis of potential security threats, then the moral onus of exporting weapons—and competing with the Americans and Europeans—is likely to fade quickly. The United States will restrict the re-export of United States-supplied defense technology, which means that Japan's weapons suppliers will test the market first with dual-use components and subsystems based on their own research and development.

A New Standing for the Defense Agency

The new parties will need contending platforms to stand on, and defense will be an area in which aspiring politicians from all three centrist parties can attempt to make their name. As a result, the JDA is likely to become a cabinet-level post, rather than a mere "agency." And as the Diet takes over more defense policy control from the Foreign Ministry, it is likely to peel away some of the layers of civilian bureaucrats with which the JDA has been muffled since its inception. The Ministry of Home Affairs—read the police—has had a strong hand in the JDA since its creation. Party elders like Masaharu Gotoda have used their long-time connection with the police to muzzle the SDF—for Gotoda was old enough to remember the military assassins of pre-war Japan. But elders like Gotoda will soon pass.

The loosening of the alliance with the United States will probably act as the biggest boost to the standing of the SDF. From being a secondary arm of the United States armed forces, the SDF must reinvent itself as a credible military, capable of defending Japan against all threats. This will shock the SDF out of bureaucratic lethargy and into long-overdue reforms, such as a real joint military command (the SDF today has minimal interservice coordination).

Gaining a Security Council Seat

The centrist parties will support—and compete to take credit for obtaining—a permanent seat for Japan on the UN Security Council. The price for this seat will be a clear statement that Japan will commit troops to UN peacekeeping efforts. The prestige of having a Security Council seat will overcome domestic resistance to dispatching troops for such operations. This resistance was finessed by legislation authorizing Japanese participation in UN peacekeeping operations that the Diet passed in June 1992, and ignored in fact by the broad use of Japanese troops in the UN's Cambodian peacekeeping operation. In any case, domestic resistance to peacekeeping came largely from the Komeito and from the Socialists, but Komeito is weakened and the Socialists are on the ropes.

Over the longer run, however, the mystique of the UN will wear off as Japanese peacekeeping troops come back in wooden boxes. Moreover, the economic squeeze will make Japan less willing to foot the bill for UN activities (Japan supplied 15 percent of UN funding in 1996), or at least more insistent on closely scrutinizing those activities it does bankroll.

With a seat on the Security Council, Japan will have to make tough choices under very bright lights. These choices will underscore Japan's increasingly independent diplomatic course from the United States. The most obvious divergence will likely be on problems in the Middle East, where Japan has always been uncomfortable with American support for Israel. This in turn will inject more tension into the United States–Japan military alliance, and will likely increase the distance.

Nuclear Power and Nuclear Weapons

Japan's huge nuclear power program will hit a brick wall because of the new electoral system. Plant siting is an election-district hot button, and

A frank public discussion of Japan's national security concerns will probably fan Japan's latent nationalism.

MITI's ability to mollify anxious local residents will be weakened. The enormously expensive breeder-reactor program will probably go first. Japan will be on much higher moral ground when it presses for nonproliferation if it stops stockpiling plutonium (used to fuel reactors). The Japanese government currently holds over 4,800 kilograms of plutonium, a huge quantity by any measure.

Persistent Chinese nuclear testing and exports of nuclear technology (particularly to Pakistan) will provide a convenient rationale for Japan to cut off foreign aid to China. The rationale for this largesse—the belief that trade and investment with China will “civilize” or moderate China—is rapidly fading. According to Michael Green, “the core of Japanese strategic thinking on China has shifted from commercial liberalism to reluctant realism.”⁴ The budget squeeze will accelerate this shift: Why give scarce yen to a China that threatens us, rather than spend it on our own defense?

A reduction in conventional American forces will still leave a nuclear umbrella over Japan; without a trip wire of American soldiers on the ground, however, it will be less credible. Anxious Japanese defense planners will thus accelerate the development and deployment of ballistic missile defense systems.

Anti-missile defense is entirely consistent with Japan's nuclear “allergy” and the three nonnuclear principles (that Japan will not make, deploy, or allow nuclear weapons to pass through its territory). If Chinese officials are willing to threaten the United States, as they did during the 1996 Taiwan Straits incident, when there was talk about “turning Los Angeles into a lake of fire,” they could also threaten Japan with nuclear blackmail at some point—perhaps deliberately, probably obliquely, possibly inadvertently—and this would galvanize Japan's anti-missile program. China's current arsenal of 300 warheads can easily reach Japan, whose population and industry are highly concentrated. If China uses missiles to intimidate either Taiwan or another Asian neighbor, or even if North Korea attempts to do the same, it could trigger a frenzied and sustained program of anti-missile defense in Japan.

WHAT KIND OF JAPAN— AND THE AMERICAN RESPONSE

In the coming decades, Japan will be a harder

edged actor in the international system. The leadership will take clearer policy positions, stake out Japan's vital interests, and make fewer but more credible commitments: “We will do this, we will not do that.”

Japan as a harder edged ally will insist on clarifying some of the ambiguity of the current alliance with the United States: “We will assist in a second Korean War; we will sit on the sidelines in a Taiwan Straits War.” The Japanese will insist on their rights to prior consultation and a conditional veto on the use of Japanese bases by American forces involved in regional conflicts.

The public debate about Japan's national security, and the threats to that security, will further erode the deep-seated popular neutralism that is passing with time. World War II ended 50 years ago; a new generation is in charge in Tokyo with little memory, no guilt, and modest education about the war.

What do these changes in Japan's national security strategy imply for United States policy toward Japan? There is nothing inherently threatening about the military capabilities of a democratic and well-armed Japan, so long as doubts about Japan's strategic intent are satisfied. Public discussions of Japan's national security should be promoted between the United States Congress and the Diet, focusing on the intentions and capabilities of Japan's increasingly powerful military forces. Similar discussions should take place within multilateral security forums, such as the Association of Southeast Asian Nations Regional Forum. Japan can continue to be a model of transparency, nonproliferation, and confidence-building in Asia.

The United States should deepen its security dialogue with Japan on its commitment to Japan's defense and its expectations about Japan's role within the alliance. This is needed to eliminate the cloud of uncertainty that hangs over the relationship, a cloud that will inevitably darken as budgetary pressures build up over the next five years in both countries. This uncertainty could lead to accelerated Japanese rearmament and a more independent security posture, and thus trigger a dangerous arms race in East Asia.

It would be helpful to move away from the idea that United States security depends on a given level of troops forward deployed in Asia—or in Japan, for that matter. The current deployment of 100,000 troops is widely taken as a test of United States military resolve in the region. Instead, flexibility should be built into mutual expectations about force levels. At the same time, the United

⁴Michael Green and Ben Self, “The Changing Dynamics of Japan's China Policy: From Commercial Liberalism to Reluctant Realism,” *Survival*, Spring 1996.

States should make clear that its security guarantee for Japan requires an American military presence there, and that it would be extremely expensive and risky to attempt to provide that guarantee "across the horizon" from Hawaii or Guam, with no bases in Japan. This is sometimes derided as a "magic carpet" strategy that calls for United States forces to show up instantly just as an invading force reaches Japan's shores.

Both sides must also tackle the issue of burden sharing. The United States should make it clear that cost pressures alone will accelerate a United States force withdrawal from Japan. The Japanese government will have to make some tough choices: either increase burden sharing; accept lower United States force levels; or replace United States troops with (even more expensive) Japanese SDF forces.

The United States should jointly negotiate with the Japanese government a clear understanding on responding to security contingencies in Asia; this would remove the kind of ambiguity that could result in another fiasco like Japan's delayed response to the Persian Gulf War. Without this clarification and underlying political commitment, United States military planners will have to leave the SDF out of contingencies, rather than risking dependence on Japanese support that may not be forthcoming. If American soldiers die in a nearby Asian action—

such as armed conflict in Korea—and Japan does not support the United States, the alliance would probably be damaged beyond repair.

Americans should not worry too much about Japan's possible acquisition of offensive weapons systems or so-called power projection capability. Good sense, internal debate, and cold calculation of Japan's neighbors' reaction to such a capability will keep this in bounds. But the United States should seriously reconsider the scale of the current one-way flow of military technology to Japan, if only for reasons of declining leverage, its impact on industrial competitiveness, and its sheer inequity.

The United States should not badger the Japanese into adopting specific defense programs or drag them kicking and screaming into a strategy of "collective security"; Japanese statesmen and analysts are more than capable of thinking through the new realities of post-cold war security. They will have to build domestic public consensus on the strategy and sacrifices necessary to maintain the security of Japan as an "ordinary country," including the irreplaceable value of the United States–Japan security alliance. Such a public consensus in Japan will be a far more solid and sustainable foundation than the shifting sands on which the alliance stands uneasily today. ■

"The new regime that emerged after the general election this May is genuinely representative of the extraordinary diversity of the country. . . Within its first few months in office this coalition has sought to address many of the vexing challenges that India faces in both domestic and foreign policy, including arresting the decline of political institutions, continuing the program of economic reform, decentralizing decision making, and improving strained relations with many of India's neighbors."

India: Between Turmoil and Hope

ŠUMIT GANGULY

When England withdrew from India in 1947, many British conservative spokesmen, most notably Winston Churchill, expressed little hope for the future of their former colony. The Tories were especially dubious about the survival of democratic institutions, which they falsely believed they had bequeathed to India. Many observers around the world also doubted that India would long remain a secular state. Today, however, on the eve of India's fiftieth year of independence, there is little question that democracy has survived in India. And despite the popularity of religiously based nationalist parties, secularism also survives, albeit in an attenuated form.

That said, India on the eve of its fiftieth year presents a mixed picture. The generation that governs is a far cry from the one that fought for and obtained the country's independence. Not since Jawaharlal Nehru was prime minister has India produced a national leader who could be considered a statesman of global stature. Corruption and cravenness are too often the hallmarks of modern-day Indian politicians. Nevertheless, the Indian polity appears to have an extraordinary capacity for social and political renewal. The Nehruvian and post-Nehruvian generations of leadership had predominantly upper-class and upper-caste roots. The new regime that emerged after the general election this May is genuinely representative of the extraordinary

diversity of the country and reflects its vast socio-economic and regional cleavages. Within its first few months in office this coalition has sought to address many of the vexing challenges that India faces in domestic and foreign policy, including arresting the decline of political institutions, continuing the program of economic reform, decentralizing decision making, and improving strained relations with many of India's neighbors.

THE ROOTS OF DISCONTENT

Despite the survival of democracy, India's political institutions have not progressed untarnished. Since the 1970s virtually every political institution in India has seen some decline. The once-dominant Congress Party is a shell of its former self; the prestigious Indian Administrative Service, successor to the colonial Indian Civil Service (commonly referred to as the "steel frame" of India), has been politicized; the judiciary has been subjected to parochial pressures; constitutional norms have been exploited for partisan purposes; and the army has repeatedly been used to quell civil disorders. Worse still, politicians of every hue have been implicated in (if not actually convicted of) every conceivable form of illegal activity.

Yet, for all its shortcomings, the Indian polity continues to function. Several factors provide grounds for optimism about India's future. The most compelling of these is the extraordinary growth of political mobilization. Ironically, the populist appeals and slogans of Prime Minister Indira Gandhi, the leader responsible for much of India's political decline, played a major role in this political awakening. India's institutional capacity proved inadequate to meet many of the expectations raised

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by her populist slogans (such as “*garibi hatao*”—literally, “abolish poverty”). Nevertheless, these slogans awakened India’s hitherto disenfranchised electorate to the possibilities of social and economic uplift.

The experience of successive elections at municipal, local, and national levels coupled with growing literacy and media exposure also contributed to the increasing political sophistication of India’s electorate. Even India’s poor and lower-caste groups gradually came to understand the power of the ballot. Much to the dismay of the wielders of political power, India’s dispossessed no longer chose to vote in predictable patterns. Unsurprisingly, virtually every political party, regardless of political coloration, came to rely on coercion to shape electoral outcomes. Such efforts were, for the most part, futile; thanks to India’s feisty and open press and the vigor of its newly mobilized electorate, little could be done to force particular electoral outcomes.

THE POLITICAL AXIS SHIFTS

The outcomes of the eleventh general election, which was held between late April and early May 1996, reflect a number of profound sociopolitical shifts that have transformed the foundations of the Indian polity. One of these is the rise of a brand of muscular Indian nationalism with a strong majoritarian component. Consequently, it was no surprise that the xenophobic and jingoistic Bharatiya Janata Party emerged as the largest party in parliament. In conjunction with its allies, the BJP managed to secure 195 seats in the 545-seat body. The organizational and ideological disarray of the Congress Party led to an electoral debacle: the former ruling party came in second, with 141 seats. But the shift in the axis of political power in the country is best reflected in the success of a range of regional parties. A loose agglomeration of these parties of the center-left coalesced under the banner of the National Front-Left Front, and managed to corner third place in parliament, with a combined 120 seats.

During the election campaign the BJP had sought to soften its antisecular image and had also appropriated the “stability” card, an old Congress slogan. Like the Congress, the BJP argued that it alone was capable of providing “stable” governance. Furthermore, it had attempted to exploit the shortcomings of the economic liberalization program that the Congress government of Prime Minister Narasimha Rao had initiated in 1991. Specifically, the BJP

focused on the misgivings of the Indian lower middle class, which has yet to benefit from the economic reform. Simultaneously, it pandered to the anxieties of medium-sized Indian businesses that fear the entry of foreign multinationals in a range of consumer goods industries.

The Congress Party, battered by allegations of corruption, resorted to various populist strategies to garner votes. In the 1995-1996 budget, for example, the government increased spending on the rural poor, avoided tackling the contentious issue of labor law reform, and refused to liberalize consumer goods imports further. Yet these gestures proved inadequate to prevent the Congress from losing many of its traditional bases of support. Muslims had already deserted the Congress in the wake of the party’s failure to prevent the destruction of the Babri mosque by Hindu fanatics in December 1992 and its subsequent inability to protect Muslim communities in the riots that followed. Simultaneously, newly mobilized lower castes, who had once been staunch Congress supporters, left the party and turned to smaller caste-oriented parties, such as the Bahujan Samaj Party or the Samajwadi Party. These parties made explicitly caste-based appeals and successfully siphoned off a significant portion of the Congress vote in the populous states of northern India.

The lack of skilled party leadership and the end of the Gandhi family mystique also cost the Congress dearly. Prime Minister Rao’s lackluster campaign style failed to inspire voters. Nor did his secretive and conniving political style, which had become his political conceit, serve him well. Furthermore, the Congress Party’s organization was in acute disrepair, and Rao did little or nothing to revitalize its machinery. Most important, for idiosyncratic reasons, he entered into a dubious electoral alliance with J. Jayalalitha, the chief minister of the key state of Tamil Nadu. The combined effects of these choices proved devastating for the Congress.

COALITION RULE

The National Front-Left Front (NF-LF), which emerged to control the third largest bloc in parliament, cobbled together an unforeseen coalition of regionally based parties. This coalition was formed on the basis of the regional predominance of some of its members, such as the Communist Party of India-Marxist, which has long controlled the state of West Bengal. The NF-LF also attracted a significant share of the Muslim vote. According to an exit poll conducted by analysts from the New Delhi-

based Center for the Study of Developing Societies, 48 percent of Muslim voters cast their ballots for the NF-LF coalition.

Following constitutional guidelines, President Shankar Dayal Sharma asked the BJP and its allies, on the basis of their parliamentary plurality, to form the government. The BJP's term in office was short lived; it proved unable to tempt any regional parties, or any faction of the Congress, to forge a working majority. On May 28, on the verge of losing a no-confidence vote, the BJP government resigned after only 12 days in office. With the Congress in disarray, the NF-LF cobbled together some 190 members and stepped forward to form a new government under the banner of the United Front. The Congress, until recently one of the principal adversaries of the NF-LF, agreed to support the coalition in parliament.

India's experience with coalition governments has been far from exemplary. However, despite the prognostications of many political pundits, there is considerable likelihood that this coalition of 14 center-left parties will survive, if only because of the weakness of its competition. The Congress, the party that not only brought India its independence but also ruled it for the better part of four decades, may well be in its death throes. It has not held internal elections in decades. Rao, the former prime minister and, until his recent resignation, the party's president, faces multiple charges of bribery and corruption. Apart from having ushered in the tumultuous process of economic liberalization and promoting a degree of economic growth, the Congress can claim few accomplishments. In the May election its share of the popular vote plummeted from an all-time high of 48.1 percent in 1984 to 31 percent. As a consequence of its weak organization, crippled leadership, and incoherent ideological vision, it is in no position to withdraw its support and thus bring down the present government. Only when the party manages to restore a degree of internal coherence will it abandon the United Front and seek a new mandate.

The BJP, which initially assumed office with considerable fanfare, has come to the harsh realization that its popularity may have reached its natural limit. No party of any consequence, apart from the predominantly Sikh, Punjab-based Akali Dal Party and former firebrand labor leader George Fernan-

des, was prepared to forge a parliamentary coalition with the BJP. Admittedly, the unwillingness of many parties to make common cause with the BJP at the national level may have not stemmed from enlightened motives; most simply feared the future electoral wrath of the highly mobilized lower castes and Muslims. The BJP's ability to mount any substantial challenge to this government depends in considerable measure on the future of the Congress. If the Congress were to split apart, the BJP would be in a position to absorb a rump Congress and then seek to undermine the present regime.

The coalition's political fortunes improved slightly in light of the results of the state assembly elections in early October in the critical, populous north Indian state of Uttar Pradesh. Despite widespread expectations of a BJP victory, the voters returned a deeply divided verdict. None of the three major contestants in Uttar Pradesh—the alliance between Congress and the Bahujan Samaj Party rep-

resenting socially disadvantaged groups, the state-level coalition formed by the BJP and Fernandes's Samata Party, or the low-caste Samajwadi Party—managed to win a clear-cut victory. Faced with this split electoral outcome, the central government in New Delhi chose to administer Uttar Pradesh at the federal level for a renewable six-month term.

Apart from the external challenges that the United Front confronts, it has to contend with questions of internal ideological and political coherence. A

number of fissures exist in the ideological corpus of the front. The motley 14-party coalition includes communists, former members of the Congress, and various regional parties. Managing the diverse array of interests and constituency demands within the coalition will be no easy task for the 63-year-old prime minister, H. D. Deve Gowda, a politician from the southern state of Karnataka with no national political experience.

To its credit, the United Front did try to fashion a common platform just before assuming office. This "common minimum program" calls for growth with equity and promises to promote federalism, combat official corruption, dramatically increase foreign investment (except in consumer goods industries), improve infrastructure, maintain fiscal prudence, and expand social welfare spending. It calls for steps to restore normalcy to the insurgency-wracked state of Jammu and Kashmir, and in the

The Congress, the party that not only brought India its independence but also ruled it for the better part of four decades, may well be in its death throes.

foreign policy realm efforts to improve relations with India's neighbors. Some of the stated fiscal and economic goals are obviously contradictory, however; an expansion of spending on social welfare is at odds with the pursuit of macroeconomic stability and fiscal prudence.

Two issues already reveal the tensions within this alliance. Finance Minister P. Chidambaram, a Harvard-educated lawyer and a firm advocate of the economic reforms, generated the first controversy when he called for a 30 percent increase in the price of petroleum products in July to help reduce a gaping fiscal deficit. Faced with prompt and strident criticism from many of his left-leaning colleagues, he was forced to halve the proposed 30 percent hike in diesel prices.

Chidambaram also grappled with conflicting priorities when he presented his first budget in August. For example, the budget contained high fertilizer subsidies—a nod to the new prime minister's rural background and ties to the farming community. In fairness to the government, Chidambaram's budget does curtail capital expenditures. To offset the adverse impact of these cuts on the growth of infrastructure, the government is planning to set up an Infrastructure Development Finance Company. This company, which will receive its initial funding from the Reserve Bank of India, is designed to raise capital and lend it for infrastructural projects.

The budget also continues fitful reforms in trade and foreign investment. It lowers customs duties by about 8 percent, exempts excise rates on various consumer goods, and reduces barriers to imports of technology. No doubt with an eye toward making up some of the revenues lost due to tariff reductions, the budget imposes a 15 percent across-the-board minimum corporate tax. Of course, this tax has been greeted with considerable dismay in the corporate sector. The Mumbai (formerly Bombay) Stock Exchange registered the unequivocal disapproval of the corporate community by dropping an astonishing 248 points within three days of the budget's presentation.

The economic reform process may well be irreversible, but the contradictory ideological pulls within the NF-LF coalition will necessarily lead to uneven changes in economic policymaking. For

example, despite its initial commitment to the reform of the insurance sector, the government has decided to move with caution in that area. More recently, Finance Minister Chidambaram faced a flurry of criticism from the leftist members of the coalition after he announced that the government planned to divest up to 74 percent of state-owned firms in noncore and nonstrategic sectors.

KASHMIR: CONFLICT UNENDING?

Apart from maintaining internal cohesion over economic and social policies, the government faces important challenges in other arenas as well. Two issues will likely preoccupy the NF-LF leadership in the immediate future: the search for peace in Jammu and Kashmir and India's opposition to the Comprehensive Test Ban Treaty (CTBT), now on the agenda of the United Nations.

Since 1990, an ethnoreligious insurgency in the northern state of Jammu and Kashmir has plagued the various governments attempting to suppress it. While the origins of this insurgency are indigenous, systematic Pakistani support for the insurgents has greatly escalated the level of violence and has sustained it over the last six years.¹

In June 1996, as part of the eleventh general elections, the Indian government held elections for the Lok Sabha (lower house of the parliament) in Jammu and Kashmir for the first time since 1991. The electoral turnout was extraordinary: close to 65 percent of the eligible electorate voted. However, a number of Indian news organizations alleged that voters had been coerced to participate in some parts of the state. Although Indian government officials publicly denied that any coercion had taken place, they admitted privately that security forces may have prodded voters into showing up at the polls. Such encouragement, they argued, was necessary: without some boost from the security forces, the fear of reprisals from the insurgents would have discouraged many prospective voters from exercising their franchise.

Through much of September, elections for the state legislature were also held in Jammu and Kashmir. The turnout in the fourth and final round of this election was approximately 53 percent. Apart from a few sporadic incidents of violence, these elections were free of any taint. The normally critical Indian press praised the government for its safe and fair conduct of the state assembly elections.

The tasks that lie before Jammu and Kashmir's new National Conference government, led by Chief Minister Farooq Abdullah, are daunting. Even

¹ For a discussion of the origins of the insurgency in Kashmir, see Sumit Ganguly, "Political Mobilization and Institutional Decay: Explaining the Kashmir Insurgency," *International Security*, Fall 1996.

though large sections of the state's war-weary population took part in the election, important sources of dissent remain. The All-Party Hurriyat Conference (APHC), an agglomeration of political parties opposed to the government of India, remains unreconciled to the election results. The APHC boycotted the elections and actively campaigned against holding them. One of the first tasks before the government will be to try to entice the APHC to reenter the conventional political arena.

The other key challenge that confronts the government may be even more demanding. In an attempt to sow discord among the ranks of the insurgents, the Indian security forces have created a number of "counterinsurgent" groups. These organizations, composed of former insurgents, were trained, armed, and generously supported by the security forces. One of these organizations, the Jammu and Kashmir Awami League, led by Kukka Parrey, even contested the elections in May. However, they failed to win a single seat, which raises questions about their future role in the politics of Jammu and Kashmir. The government's most immediate and compelling task will be to disarm this 5,000-strong militia before its members return to the fold of the insurgents.

THE CTBT

The other security-related task on the plate of the United Front government will be to manage India's growing prominence on the international scene. India has long lobbied for a larger profile at the United Nations; this summer, it raised eyebrows by opposing the Comprehensive Test Ban Treaty (CTBT), an accord it had once championed.

India's interest in the CTBT is long-standing. On April 8, 1954, India introduced a resolution in the UN General Assembly calling for a suspension of all nuclear tests. The Indian proposal failed to generate any support from the three extant nuclear weapons states: the United States, the Soviet Union, and the United Kingdom. Over the next 30 years or so, the disarmament debate continued in a desultory fashion in the UN. The Partial Test Ban Treaty limiting underwater and atmospheric tests was signed in August 1963, but little progress was made toward a comprehensive test ban treaty.

It was not until September 1993, when the United States and India cosponsored a resolution in the General Assembly, that serious efforts for a comprehensive test ban were undertaken. The negotiations for the CTBT were begun in Geneva under the aegis of the UN Conference on Disarmament and

were proceeding apace when a number of seemingly unrelated forces impinged on India's negotiating stance. Multilaterally, much to the surprise and dismay of the Indian leadership, the United States and its allies carefully shepherded the extension of the nuclear Non-Proliferation Treaty (NPT) through the UN General Assembly. As part of its historical opposition to the NPT, India had chosen not to participate formally in the negotiations and consequently proved unable to influence the text of the treaty. Most uncomfortably for India, the United States sought and was able to obtain an unconditional and indefinite extension of the NPT. Of all the UN member states, only India, Pakistan, and Israel remained outside the NPT framework. The remarkable dexterity with which United States negotiators stage-managed the negotiations left India largely isolated.

India's lack of initiative on the NPT negotiations generated domestic criticism of its diplomacy on key issues relating to security and disarmament. The domestic critics of India's negotiating strategy on the NPT found further grist for their mill in November 1995 when the United States Congress, at the behest of the Clinton administration, passed the Brown amendment to the Foreign Assistance Act. The Brown amendment relaxed the Pressler amendment of 1990, which had prohibited all forms of military and economic assistance to Pakistan because of its pursuit of a clandestine nuclear weapons program. The Clinton administration's active support of the Brown amendment and the amendment's subsequent passage strengthened the hands of India's defense hawks, who, ever suspicious of United States motives in South Asia, saw the Brown amendment as a first step in the post-cold war renewal of United States-Pakistani military ties. Accordingly, many of them lobbied for a tougher Indian stance on the CTBT negotiations in Geneva.

Indian domestic politics also contributed to a hardening of its negotiating stance on the CTBT. As the eleventh general election approached, the Congress government of Prime Minister Narasimha Rao sought to outbid the BJP on a key national security issue, namely India's nuclear policy. In an attempt to gauge international reaction while simultaneously tackling the BJP challenge, the Indian government started work at the nuclear test site in Pokhran in the state of Rajasthan. Not unexpectedly, in December 1995 United States reconnaissance satellites discovered these preparations.

The reaction of the United States and other key

members of the international community was sharp and swift. After initial denials, the Ministry of External Affairs in New Delhi dismissed the United States claims as "speculative." The strong reaction of the international community to the possibility of a second Indian nuclear test (its first was in 1974) was not lost on India's political leadership. The Indian strategic community, in particular, realized that if the CTBT were passed, the pressures on India from the international community not to further develop its military nuclear capabilities would be overwhelming.

In the wake of these developments, the Indian diplomatic position at the UN Conference on Disarmament hardened. India's representative to the conference, Arundhati Ghose, renewed India's call for a time-bound plan for complete, worldwide nuclear disarmament. The nuclear weapons states ignored her pleas, dismissing them as political posturing meant largely for domestic consumption.

An Australian proposal eventually brought the treaty before the UN General Assembly on September 10, 1996, where it passed on a 158 to 3 vote. The only three states voting against the treaty were India, Libya, and Bhutan. Five states—Cuba, Lebanon, Mauritius, Syria, and Tanzania—abstained. India continues to maintain that the treaty is fundamentally flawed and that it will never accede to its terms. According to legal experts it is not entirely clear whether the treaty can enter into force without India's eventual acquiescence. Since India's rejection of the treaty was supported across the political spectrum at home, obtaining its accession will not be easy.

Despite the intransigent approach that the Indian diplomatic community has adopted toward the

CTBT, the new government has already demonstrated a significant willingness to alter India's positions on other foreign policy issues. Most notably, the government has sought to continue strengthening India's economic relations with Southeast Asia. This effort follows India's elevation to full dialogue partnership with the Association of Southeast Asian Nations in 1995. India has also offered to renew negotiations with Pakistan after several years' hiatus. Pakistan, which is faced with a legion of domestic woes, has yet to respond meaningfully to the Indian offer. Finally, the new government has also shown a greater interest in addressing the concerns of another of India's neighbors, Bangladesh. During a visit to that country in September, Foreign Minister Inder Kumar Gujral expressed a willingness to address Bangladesh's long-standing complaints about inadequate access to various river waters.

NAVIGATING THE POLITICAL WATERS

The diplomacy and posture of this government on the CTBT negotiations is certainly debatable. However, on virtually every other front the government has made laudable efforts to tackle a range of problems that have long prevented India from surging ahead. The central challenge for the regime will be to cope with the demands of its extraordinarily diverse constituencies. Previous coalition governments have foundered on familiar shoals. In the brief period that it has been in office, members of the motley United Front coalition have shown a willingness to work together. It remains to be seen if they can continue to demonstrate similar political sagacity as the government moves to contend with more contentious issues at home and abroad. ■

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India's Economic Liberalization: The Elephant Comes of Age

SHALENDRA D. SHARMA

When the Indian government unveiled its ambitious economic liberalization program in mid-1991, it was widely believed to be a nonstarter. Earlier attempts had not amounted to much, and scholarly paradigms held that a "developmental" authoritarian state of the East Asian variety (not India's weak democratic regime) was a sine qua non for the implementation of bold "market-friendly" macroeconomic policies. However, this time India has proved the pundits wrong. Not only has liberalization dismantled the command economy structure and ended decades of economic isolationism, it has also produced sustained economic growth and fostered a new self-confidence and optimism. Indeed, liberalization has become such an indelible part of contemporary India's developmental ethos that it is now considered irreversible.

While India's postliberalization economic growth has not been as spectacular as that of China and the newly industrializing countries (NICs) of East and Southeast Asia, it has nevertheless been steady and respectable. Unlike the explosive "tiger economies" of East and Southeast Asia or China's overheated "dragon economy" that have captured the global imagination, the Indian economy has been more like a lumbering elephant slowly emerging from the shadows. Sooner or later, the world will have to come to terms with its formidable presence and power. Indeed, as the world's sixth largest economy (after the United States, Japan, China, Germany, and France), and endowed with a rapidly expand-

ing middle class of some 250 million, a huge domestic market, a large pool of educated and skilled labor, and resilient democratic institutions, India has the potential to be an economic colossus by the early twenty-first century.

PRELUDE TO LIBERALIZATION

In early 1991 India was caught in an economic crisis of exceptional severity. Battered by rising oil prices because of the Persian Gulf War, the already floundering economy hit bottom. The central government's budget deficit rose to an unprecedented 8.5 percent of GDP; the inflation rate, which had fluctuated within single digits throughout the 1970s and 1980s, soared to 17 percent; the external debt mushroomed from \$20.6 billion in 1980 and 1981 to over \$70 billion; and the debt-service ratio increased to a debilitating 32 percent of GDP.

By the second quarter of 1991, the rapidly deteriorating fiscal situation had resulted in the downgrading of India's credit rating in international financial markets. This further eroded the confidence of foreign creditors, including nonresident Indians with sizable deposits in Indian banks, and triggered a panic run on the foreign exchange reserves. India was left with a paltry \$1.2 billion in reserves, an amount barely sufficient to pay for two weeks of imports. On the verge of defaulting on its foreign debt, in mid-June India was given a major reprieve by foreign creditors and saved from the humiliation of default by drawing emergency loans from the IMF. In July, the Reserve Bank of India transferred part of the nation's gold stock abroad to the Bank of England on a temporary basis, allowing it to maintain its structural-reform conditionality and minimal external financial liquidity and debt-servicing obligations. The Reserve Bank had never

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before undertaken such drastic measures, even during serious economic difficulties in the 1950s and mid-1960s.

In the summer of 1991 it was impossible to find anyone optimistic about India's future; many seasoned India watchers were already writing the country's obituary. Some feared the Latin Americanization of India, while others concluded that the subcontinent was fated to be a perennial economic basket case, a "caged tiger" mired in "a million mutinies."

India, however, has defied the odds. Not only have the country's democratic institutions shown remarkable resilience, but its economy has undergone a miraculous transformation. No doubt there must have been much satisfaction within the Finance Ministry when *The Economist* changed its pessimistic tune in its March 5, 1994, issue and admitted that India's \$250 billion economy, already the second largest on the Asian continent, "could soon rival China as a new economic force."

Indeed, there is good reason to be bullish on India. In less than five years the country has achieved macroeconomic stability and sustained growth. The annual GDP growth rate rose from 1.2 percent in 1991–1992 to nearly 5.5 percent in 1994–1995; and the targeted growth of 6.5 percent in fiscal 1996–1997 is not unrealistic. The budget deficit has been reduced to a manageable 5 percent of GDP. Inflation is down to a modest 7 to 8 percent and interest rates (while still high) have declined from 22 percent to 17 percent, with further reductions forecasted for fiscal 1996–1997. Foreign exchange reserves were up to a healthy \$22 billion in mid-1996, and the vigorous 21 percent growth in exports during the first 10 months of 1993–1994 has greatly reduced vulnerability to external shocks.

Most encouraging has been the steady rise in foreign direct and portfolio investment—from a paltry \$30 million in 1990 to approximately \$5 billion by the second quarter of 1995. Blue-chip corporations that include General Electric, Siemens, Procter and Gamble, Mercedes-Benz, General Motors, Kellogg, Pepsi, Nestle, Honda, and Suzuki are establishing or expanding their Indian operations by increasing capital investments and acquiring majority stakes in their Indian joint ventures. For example, Coca-Cola, which was ignominiously forced out in 1977 by Prime Minister Indira Gandhi's hard-line nationalization policies, has returned to the lucrative Indian market by taking over the three most popular soft-drink brands. The pace of change has been so dizzying in some areas that the once sleepy town

of Bangalore has been transformed into a noisy high-tech mecca, a veritable "Indian Silicon Valley" where high-tech heavyweights like IBM, AT&T, Intel, Sun Microsystems, Texas Instruments, Digital Corporation, Motorola, Hewlett Packard, Phillips, and Polaroid have set up shop to cash in on India's abundant engineering talent.

In addition, the sustained diversification and expansion of financial services, especially banking and stock-market portfolios, clearly indicate that domestic and foreign investors are no longer jittery about India. Despite a wide-ranging securities scam in the Bombay Stock Exchange in 1992, Indian businesses and commercial interests have been able to raise some \$6 billion from new issues in the Indian capital markets. Moreover, the Indian stock market, with over 7,000 listed companies, has become one of the most active in Asia in terms of daily trading volume. Foreign financial investors have poured over \$1 billion into India's stock markets. This sustained economic activity will undoubtedly enable the Indian government to meet its still considerable debt obligations while devoting its resources to pressing developmental needs.

THE LEGACY OF THE LICENSE-PERMIT RAJ

India's remarkable economic turnaround is the result of a bold and carefully orchestrated macroeconomic liberalization program undertaken in the midst of the June 1991 crisis by the new government of Prime Minister P. V. Narashima Rao. In his maiden budget speech to parliament, Finance Minister Manmohan Singh, the chief architect of liberalization, declared in his iconoclastic fashion that the fiscal crisis was symptomatic of a deeper economic malaise and that nothing short of a fundamental economic restructuring would stop the fiscal hemorrhage and release India's "unbound economic potential." More bluntly, he informed his fellow citizens that neither the government nor the economy could live beyond its means. He announced that the time had come to convert the regulated, inward-looking Indian economy to a more market-friendly, outwardly oriented model.

The foundations of India's inward-looking command economy were laid in the immediate postindependence period by Prime Minister Jawaharlal Nehru. Deeply influenced by Soviet central planning, Nehru believed that state-guided, planned economic development committed to "a socialistic pattern of society" would foster rapid economic growth, self-reliance, and the eradication of mass poverty. However, more than four decades of active

dirigisme produced only disappointing results. Under the guise of planned development, India's interventionist state erected an elaborate system of corporatist structures, irrational protocols, quantitative regulations, and "control instruments" (such as prohibitively high tariffs, licensing-cum-barriers on imports of technology and capital goods, and restrictions on foreign investment and collaboration). Government restrictions permeated all levels of the public and private sector, creating one of the most comprehensively controlled and regulated economies in the noncommunist world. Under this system, all categories of import goods—consumer, intermediate, and capital—were subject to discretionary controls.

With few exceptions, consumer goods imports were banned completely. Capital goods imports fell into two categories: restricted items, and those permitted under "open general licensing." The latter category was a misnomer since these imports were subject to many restrictions, such as requiring an importer to be the "actual user" of imported machinery who could not sell the machinery for up to five years after purchase. Imports of intermediate inputs fell into two categories, with the stringency of control ranging from "banned," "restricted," "limited permissible," to open general licensing. In addition, before planning business expansion, entrepreneurs were required to obtain licenses from bureaucratic watchdogs such as the Capital Goods Committee that could indefinitely delay or reject outright applications for licenses without explanation.

Aptly labeled the "license-permit raj," this pernicious system was purposely structured to facilitate central planning and command mandates. It did so by granting arbitrary powers to a hierarchy of influence-peddling politicians, bureaucrats, and overly obsequious apparatchiks. This in turn spawned parasitical rent-seeking activities that inhibited economic competition and severely undermined innovation, production, efficiency, and, ultimately, economic growth. Moreover, indiscriminate import-substitution and policy-induced distortions such as excessively protectionist trade policies and overvalued exchange rates contributed to the emergence of a highly concentrated oligopolistic business and industrial structure characterized by managerial ineptitude, declining productivity, and mounting losses.

Not surprisingly, the economy grew between 1951 and 1984 at about 3.5 percent annually—a rate lower than that of developing countries as a

group (which grew at 5.2 percent), and substantially lower than that registered by China and many other countries in East and Southeastern Asia. By the time the economic crisis hit in 1991, India was finally ready for its own perestroika.

RAO'S PERESTROIKA

Immediately after taking office, the Rao administration implemented a package of structural reform measures designed to stabilize the economy and lay the foundation for sustained economic growth. The core of the liberalization program, the "austerity budget," made deep cuts in government expenditures and devalued the enormously overvalued rupee by 22 percent against the dollar. The program also implemented monetary policies to allow production, prices, interest rates, and wages to find their "natural equilibrium" through the interaction of supply and demand. It presented a strict timetable to deregulate the financial markets and phase out all forms of quasi-autarkic regulations and bureaucratic controls. The World Bank (which just weeks earlier had been highly critical of the Indian government) responded by giving its "seal of approval" and making available substantial amounts of assistance, including a \$500 million structural adjustment loan. The IMF soon followed, making \$1.7 billion available.

Over the past five and one-half years, the Indian economy has undergone significant changes. The New Industrial Policy (NIP) has effectively dismantled the ubiquitous industrial-licensing regime, thereby abolishing all government control over firms' investment and production decisions, including ownership, location, local content, technology fees, and royalties. In addition, with the exception of a small list of "strategic industries," all sectors previously reserved for public enterprises are now open to private investment. Civil aviation, mining, power, and energy are open to private domestic and foreign investors. With the liberalization of telecommunications and pharmaceuticals, and further liberalization of the coal industry in 1995, the primary remaining investment restrictions are on railways.

NIP has also rationalized foreign direct investment by providing "automatic approval" registration with the Reserve Bank of India for all foreign investments of up to 51 percent of equity; provisions for expeditious clearances for investors seeking equity shares exceeding 51 percent are already in place. Today foreign investors incorporated in India are treated the same as domestic investors; they can invest in any sector and also remit divi-

dends abroad without any restrictions. That India is a member of the World Trade Organization, has joined the Multilateral Investment Guarantee Agency, and is currently negotiating bilateral investment treaties with several countries, will help promote a competitive economic environment for all and ensure foreign investors fair treatment, especially legal security for market transactions and safeguards on intellectual property rights.

Complementing NIP is an aggressive program to tame the "white elephants"—India's approximately 225 public sector enterprises. Unlike the former Soviet Union, the Indian government has been pursuing a judicious, multipronged gradualist strategy that includes privatization of state-owned enterprises (SOEs) and the liquidation of chronically "sick" or unviable enterprises; reducing monopoly privileges and budgetary support (that is, subsidies and tax breaks) for all public sector enterprises; market sales of SOE equities; subjecting public sector firms to market discipline and accountability by creating a competitive environment for private and public enterprises; and establishing the National Renewal Fund (financed in part by the World Bank) to prevent the most vulnerable workers in SOEs from bearing a disproportionate share of the necessary adjustment costs.

The government's gradual liberalization of India's trade and exchange regime is of no less significance. The rupee has been made fully convertible, and stable at an exchange rate of 31 to the dollar, which is already making Indian exports more competitive and imports costlier. As for trade liberalization, licensing requirements on all imports (with the exception of a short list of "final consumer goods") have been eliminated, and it is expected that even this list will be reduced. The government has already slashed customs duties, greatly streamlined customs procedures, and abolished unnecessary regulations in order to expedite export shipments.

As part of its trade reform, the government reduced the maximum import tariff from 85 percent to 65 percent at the beginning of 1994 (it was more than 300 percent in June 1991). The 1995 budget introduced additional tariff reforms, reducing the average tariff to about 27 percent, and it now stands at 22 percent. Fully aware that these rates are still high by international standards, the Finance Ministry has promised to reduce tariffs and customs

duties to levels comparable to those of East Asian countries by 1997.

Recognizing that an efficient banking system and functioning capital markets are essential for the success of liberalization, the government has introduced far-reaching financial sector reforms. India's heavily regulated banking system is dominated by several large public sector banks that control 85 to 90 percent of all deposits. This system is undergoing a phased process of modernization that includes deregulation and increased competition with the entry of new foreign and private banks into the market. Capital markets are also being modernized under the aegis of the Securities and Exchange Board of India (SEBI). Established in February 1992, SEBI has introduced the basic regulatory framework within which a healthy stock market can operate.

THE CHALLENGES AHEAD

The important achievements since 1991 notwithstanding, India still has a challenging ways to go. It must improve its public savings and reduce the fiscal deficit. While India's private savings performance is strikingly comparable to that of Malaysia and other successful East Asian economies, its public savings performance (that is, the excess of central and state government revenues over current expenditure plus the gross profits of public enterprises) has

been much worse and is deteriorating. In the 1980s it was around 3 percent of GDP; it currently stands at zero. Correcting this situation is critical to the restoration of the public sector's capacity to invest and to accommodate higher levels of private investment. Greater investment, especially in infrastructure and social services, is imperative if India is to achieve and sustain rates of growth and poverty reduction comparable to those of the other high-performing countries in Asia.

Much more needs to be done if India is to become competitive. Restrictions on consumer goods imports and agricultural commodities trading are still important obstacles to the full integration of India into the global economy. Similarly, reformers must further downsize publicly owned banks and insurance firms and encourage new entrants in the field. Agriculture, which employs about two-thirds of the workforce and accounts for 30 percent of GDP, has generally been bypassed by the reforms. To end market distortions and ineffi-

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ciencies in the agricultural sector, the government must eliminate subsidies on items such as fertilizers, irrigation, electricity, and rural credit that have been eating into development expenditure and causing a decline in public sector agricultural investment.

The hard reality is that agriculture cannot be kept insulated from market reforms. As China's experience shows, extending the liberalization process to agriculture has the potential to accelerate the growth momentum of the economy and to increase its efficiency and productivity.

Again, looking at China's experience, the time is ripe for the Indian government to abandon its ethos of export pessimism and create special economic zones and open cities to encourage employment and penetrate global markets. With a vast pool of unskilled and skilled labor and a large and expanding internal market, such zones would provide dividends for both India and foreign investors. Cities like Bombay (now Mumbai), Bangalore, Cochin, Madras (now Chennai), and Calcutta could serve as magnets for foreign investment and as export bases for India. Given its geographical location as the crossroads between Asia, the Middle East, and Europe, India has the potential to become an important center of international commerce and business. If this potential is to be realized, India must avoid overvalued exchange rates, keep inflation and budget deficits low, and help exporters with measures such as providing automatic access to foreign exchange and providing access to intermediate inputs and capital goods. The East and Southeast Asian economies often provide automatic rediscounting of export financing, sometimes at subsidized interest rates. The certainty of access to such credit encourages entrepreneurs to undertake new export ventures and helps them penetrate foreign markets.

Moreover, following the example of Southeast Asia's newly industrializing economies, India's reformers must provide more incentives for export-oriented foreign investors. The Southeast Asian NICs have been highly successful in wooing export-oriented foreign direct investment by waiving investment restrictions and offering special incentives. In Indonesia the proportion of approved investment going into export-producing enterprises increased

from 38 percent in 1986 to 70 percent in 1991. In Thailand the proportion increased from 10 percent in 1971 to more than 50 percent in 1988. Shifting the focus of foreign investment from import substitution to exports has generated substantially more exports and investment. Also, India must aggressively seek full membership in the Association of Southeast Asian Nations and the Asia Pacific Economic Cooperation council, and associate status with the European Union.

Finally, in a country where 34 percent of the population lives below the poverty line, it is imperative that the reforms protect public expenditure programs benefiting the poor, strengthening these programs where necessary. Of course, not all public service spending merits protection: some of it is inefficient and regressive, and such spending should be analyzed to verify that the poor are actually benefiting and that investments are concentrated where the social returns are highest.

PRAGMATIC PROGRESS

In its assessment of East Asia's remarkable economic growth, the influential World Bank study, *The East Asian Miracle*, concluded that the East Asian economies achieved high growth by "getting the basics right." For India, this means the pursuit first and foremost of prudent market-guided macroeconomic policies, with only selective state intervention—or interventions that are circumscribed and reversible. To its credit, the new United Front administration of Prime Minister H. D. Deve Gowda has resisted pressures from the left to undermine economic liberalization. Gowda, who facilitated economic reforms as chief minister of Karnataka, is a pragmatist whose policies will not diverge much from his predecessor's. By appointing the original reformer, P. Chidambaram (an articulate advocate of "fast-track reform") finance minister, the government is sending a clear message that there will be no fundamental changes to the country's macroeconomic policies. As Kipling noted long ago, when the lumbering elephant begins to move at a measured gait, all sensible men and beasts get out of the way. The tigers must now contend with the elephant—and Kipling always placed his bets on the elephant. ■

"Many American policymakers suggest that if economic growth is allowed to continue unhampered, human rights protection will take care of itself through the growth of the middle class and the demands it will make on the political system for democratization. It is a muddled argument in many ways. . . . The argument, however, is so pervasive, especially as 'commercial diplomacy' by many Western countries in Asia intensifies, that it is worth examining in more detail."

"Asian" Human Rights, Economic Growth, and United States Policy

SIDNEY JONES

Several Asian governments, notably Singapore, China, Indonesia, and Malaysia, have set forth an "Asian concept of human rights." In its most basic version, this concept holds that economic development has to precede the full flowering of political and civil rights; that Asians place greater value on the harmony of the community than on individual freedoms; and that individual states should be able to interpret international standards on human rights in accordance with their history, culture, political system, and level of economic development. The emergence of this concept is important because of the degree to which it has been successfully marketed in the West as illustrating a fundamentally different set of values, and because it suggests ways in which some Asian governments see the relationship between development and human rights.

Yet on closer examination, the initial premises of this concept are contradictory. The first suggests that the exercise of individual rights will naturally emerge from economic development; the second suggests that even in developed Asian societies, stability and order will be more highly valued than the protection of individual rights.

China and Indonesia have been the most vocal proponents of the first premise. Few would argue with China's statement in its 1991 White Paper on human rights that, "for any country or nation, the

right to subsistence is the most important of all human rights, without which the other rights are out of the question." But some scholars, like the Indian economist and philosopher Amartya Sen, point out that guaranteeing subsistence depends on some freedom of expression and government accountability. The classic example is China's Great Leap Forward: had Chinese felt free to tell the truth about agricultural production, the famine the Great Leap Forward unleashed, which killed as many as 15 million people between 1959 and 1961, could have been avoided.

An Indonesian official echoes the Chinese position on rights: "Most of the Asian countries also happen to be at the level of development which necessitates the accordance of priority to the fulfillment of the most basic rights of peoples, such as the eradication of illiteracy, the alleviation of poverty, the improvement of health and the creation of employment opportunities. After all, how can one express one's opinions freely if one is illiterate; how can one really enjoy the right to property if one lives well below the poverty line; and how can one join in labour associations if one is unemployed?"¹

There are two flaws in this argument. The first is the idea that the ability to exercise or enjoy basic civil rights depends on economic status or level of education (implying that illiterate farmers can have no opinion on government actions that directly affect their lives). The second is the suggestion that governments will be able to alleviate poverty and uphold other economic rights most effectively without a free flow of ideas or public participation in the decision-making process.

Singapore's former prime minister, Lee Kuan Yew,

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1S. Wiryono, "Human Rights: Why the Confrontation?" *The Nation* (Bangkok), April 1, 1993.

and Malaysian Prime Minister Mahathir bin Mohamad, take a different stance than the leaders of their larger, and poorer, neighbors. Both argue that even if everyone were highly educated, some curbs on freedom of expression would need to be maintained for the good of society. Lee has said, "I find parts of [the American system] totally unacceptable: guns, drugs, violent crime, vagrancy, unbecoming behavior in public—in sum, the breakdown of civil society. The expansion of the right of the individual to behave or misbehave as he pleases has come at the expense of orderly society. In the East the main object is to have a well-ordered society so that everybody can have maximum enjoyment of his freedoms. This freedom can only exist in an ordered state and not in a natural state of contention and anarchy."²

Indeed, if carried to a logical conclusion, Lee's argument suggests that economic growth without strong state intervention and, by extension, restrictions on certain rights, can lead to a breakdown of society with all the evils apparent in the West. This runs counter to the argument, often made from the South Korean and Taiwanese experience, that economic development will lead to a progressively more open society. The Singaporean stance may stem from the fact that Singapore is already wealthy enough that the rationale of needing authoritarian controls to produce economic growth no longer applies. In fact, if the argument that economic development leads to enhanced political freedoms held, Singapore would be the freest state in Asia.

Bilahari Kausikan, another Singaporean government official, has elaborated on how "good government," even in a developed society, requires certain restrictions on rights to preserve order. These include arbitrary detention, when necessary to deal with military rebels or religious and other extremists; curbs on freedom of expression to avoid fanning racial tensions or exacerbating social divisions; and "draconian laws" to break up the power of entrenched interests, such as carrying out land reform, for example.³

That view is certainly antithetical to the idea that individual civil and political rights will naturally expand as economic development proceeds; the curbs Kausikan suggests have little to do with economic status. But it also illustrates the problem with

an already authoritarian government making decisions about what rights to restrict and why. Who is to say when arbitrary detention becomes "necessary," or what constitutes an "extremist" (a label that has sometimes been applied indiscriminately to those who oppose a government, as was the case with the social workers and church figures arrested in Singapore in 1987 and 1988)? Who will judge whether a newspaper article or speech incites racial violence or merely calls for an end to government discrimination against an ethnic group? Who is to say whether "draconian laws" serve to substitute one set of "entrenched interests" for another, as in Marcos's Philippines or Suharto's Indonesia?

DICTATORS BEFORE DEMOCRACY?

Many scholars of Asia, who, unlike Asian officials, have no direct political interest in the subject, have argued for a variant on the "development first" proposition: that a certain degree of authoritarianism—suppression of political parties and protection of the state from the pressures of competing interest groups—was necessary to make the hard political and economic decisions that produced the region's spectacular growth. It would be hard to argue that this suppression of political rights required the violations of civil rights that occurred under Asia's authoritarian administrations, such as the widespread political arrests, torture, and summary executions of the Park Chung Hee and Chun Doo Hwan years in South Korea or the first two decades of Suharto's New Order in Indonesia. But without channels to criticize the government and hold police and military accountable for abuse, there is no check on such excesses save innate benevolence.

The problem is that a little authoritarianism soon turns into a lot, and assaults on bodily integrity often accompany the suppression of political freedoms. It is one reason why martial law or emergency regulations that temporarily deprive citizens of rights in the name of national security or public order can be so dangerous: once extra powers have been granted to security forces, they often become institutionalized. A state of emergency has been in effect in Brunei since 1962, and in Indonesia, the Operational Command to Restore Order and Security was in operation from late 1965 to the end of 1988 (and continues as the Bakorstanas, or Coordinating Body for the Maintenance of National Stability).

Another flaw in the argument that authoritarianism may be essential to growth is that it ignores

²Fareed Zakaria, "Culture is Destiny: A Conversation with Lee Kuan Yew," *Foreign Affairs*, March-April 1994, p. 111.

³Bilahari Kausikan, "Asia's Different Standard," *Foreign Policy*, Fall 1993, p. 38.

the possibility that factors other than authoritarianism may have been equally important in producing economic achievements. As *The Economist* once pointed out, "If dictators made countries rich, Africa would be an economic colossus." It may well be that earlier moves toward democratization would have produced greater economic gains for Taiwan and South Korea, or that Singapore and Indonesia could grant a greater measure of political and civil rights without damaging, and perhaps even enhancing, their ability to guarantee social and economic rights.

THE MIDDLE CLASS VANGUARD

Many American policymakers suggest that if economic growth is allowed to continue unhampered, human rights protection will take care of itself through the growth of the middle class and the demands it will make on the political system for democratization. It is a muddled argument in many ways, not least because it appears to equate democratic forms of government with protection of rights, which is not always the case. The argument, however, is so pervasive, especially as "commercial diplomacy" by many Western countries in Asia intensifies, that it is worth examining in more detail.

The "growth equals democracy" argument is the classic "modernization" theory of the late 1950s, posited by, among others, Daniel Lerner in his 1958 book, *The Passing of Traditional Society*. According to Lerner, urbanization leads to rising literacy, and literacy to increased media exposure and then participation in the political process. "The model evolved in the West is a historical fact," Lerner argued. "That same basic model appears in virtually all modernizing societies on all continents of the world regardless of variations in race, color [or] creed. . ."

Thailand in May 1992 seemed to support Lerner—it was the professionals coming out in the streets with their cellular phones who brought down General Suchinda Kraprayoon. The middle class as a catalyst for change has also been used to help explain the pressures for democratization and the lifting of some controls on freedom of expression and association in Taiwan and South Korea. But Lerner's theory has been challenged repeatedly by dependency theorists, by cultural determinists, by Marxists, and by Lee Kuan Yew, who argued—and other Singaporean officials echoed—that what

Asians cared about was efficiency, not democracy, and that order and development were more important than freedom.

The problems with simplistic correlations emerge with a quick look at Indonesia, Malaysia, and China. In Indonesia, business interests that might otherwise be a force for democratization are closely linked either to patronage structures of the central government, as with the enormous conglomerates of the Suharto family and associates, or to the ethnic Chinese, who for the most part do not see their interests served by democratization, despite the political and social discrimination they have endured under the New Order government. (A democratically elected Muslim majority government could institute an affirmative action policy under which *pribumi*, or indigenous entrepreneurs, would be deliberately favored and discrimination against ethnic Chinese could intensify.)

Malaysia did see a dramatic growth of the middle class between 1970 and 1990, as well as a transformation of that class from being overwhelmingly Chinese to about a third Malay. But the transformation was less a natural result of economic growth than a result of deliberate intervention by the state to have what amounted to an affirmative action policy in favor of Malays after severe racial riots in 1969. The end result, politically, was to strengthen the state rather than to allow the new mid-

dle class to become a check on state power.

Finally, there is China. During United States Commerce Secretary Ron Brown's visit to that country in August 1994, spokesmen for the Commerce Department and the business community extolled the virtues that increased trade and foreign investment would bring to China, including the growth of the purchasing power of the average Chinese, the growth of the middle class, and eventual demands for democratization. Maybe. But in the short run, the people who demand political change face arrest as "counterrevolutionaries," and a new set of security laws, promulgated in June 1994, has narrowed the boundaries for lawful dissent and increased the penalties imposed on those who venture beyond them. Moreover, many China specialists argue that the economic reforms were designed from the outset to preserve the Communist Party's power, giving it a new legitimacy in the context of a changed international environment. While the reforms may mean some redistribution of power and the emer-

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gence of new groups and organizations, the latter will be dependent for the near term on party patronage, and the end result is to bolster the regime, rather than to democratize.⁴ The social changes wrought by reform do not guarantee enhanced protection of human rights, and those who are concerned about ongoing abuses must find ways to address them now, rather than wait for the middle-class millennium to take place.

DOES DEMOCRACY GROW OUT OF THE MARKET?

If one looks at the "hard-core" violations of human rights that even Singaporean officials find intolerable (summary executions, shooting of innocent demonstrators, torture, and disappearances) in three Asian countries—China, Indonesia, and South Korea—over the last two decades, there is no obvious correlation between economic growth and protection of human rights.

In all three countries economic growth shot upward, albeit with setbacks and at different rates. China, in the final throes of the Cultural Revolution, experienced a slight downturn in growth from 1974 to 1976, but even at the height of the political upheaval in 1969 and 1970 the economy grew at a healthy rate. Paramount leader Deng Xiaoping's economic reform program has seen even more rapid economic growth. Between 1980 and 1988, growth in GDP gradually increased to 11 percent. It fell to 3.9 percent and 4.5 percent in 1989 and 1990, began booming again in 1991 and 1992, and shot up to an extraordinary 13.4 percent in 1993.

In the area of human rights, the savage, state-sponsored violence of the Cultural Revolution ended in 1976, but it would be foolish to argue that economic growth had anything to do with the cessation of Red Guard atrocities. The use of torture has evidently continued unchanged since 1978, and in terms of the "shooting of innocent demonstrators," there is the June 1989 Tiananmen Square crackdown, which saw the use of force against unarmed civilians. A steadily growing economy did not entail restraint on the part of security forces when the legitimacy of the Communist Party appeared to be at stake, and if anything, the crackdown served to temporarily halt the economic boom. In Tibet, the shooting of unarmed demonstrators on October 1, 1987, came seven years after economic and political reforms had begun with party General Secretary Hu Yaobang's visit. "Disap-

pearances"—in which government security forces take a person into custody and then refuse to acknowledge the detention or disclose his or her whereabouts—were not a problem until 1994, when, for the first time since the Cultural Revolution, activists were secretly detained and held incommunicado.

In Indonesia, the economic growth rate between 1974 and 1978 was 6.9 percent; between 1979 and 1981 it averaged 7.7 percent. With the drop in oil prices from 1982 to 1988, annual GDP growth declined to 3.3 percent in 1988, but then increased to 7.1 percent between 1989 and 1991 and continued at about 6.2 percent in 1992 and 1993. Again, there is no correlation between economic growth and a reduction in the most severe human rights abuses. Indonesia invaded East Timor at the outset of this period, with a huge death toll—between 100,000 and 200,000 people—from a combination of direct killings and war-related famine over the next three years. As many as 2,000 people, most of them civilians, are believed to have been killed during the Indonesian army's counterinsurgency operations in the Aceh Special Region from 1989 to 1991. Incidents of the army firing on peaceful demonstrators showed no decrease, with the September 1984 Tanjung Priok shooting in Jakarta followed by the November 1991 massacre in Dili, East Timor. In both cases the death toll is believed to be around 100, but no systematic, independent investigation has been carried out in either case. Torture continued unchecked, from Medan to Jakarta, as late as 1994, and there was every indication that police and army officials believed that torturing prisoners was part of standard interrogation procedure.

South Korea saw its gross domestic product grow 9.5 percent annually from 1965 to 1980, and about 8.6 percent per year from 1980 to 1987. The growth rate was over 12 percent for 1987 and 1988, then began a steady decline from 9.6 percent in 1990 to 9.1 percent in 1991, 5.1 percent in 1992, and 4.9 percent in 1993. For most of that period of steady growth, South Korea had a highly repressive political system. In May 1980, the Kwangju massacre occurred; anywhere from several hundred to 2,000 people are believed to have died when riot police and paratroopers used rifles and fixed bayonets against student demonstrators and others protesting martial law. While no killings approaching the scale of the Kwangju massacre followed, other abuses, especially torture, continued to be pervasive. It took widespread pub-

⁴See Tony Saich, "The Search for Civil Society and Democracy in China," *Current History*, September 1994.

lic concern about the torture-related death by the police of a student named Park Chong Chol in January 1987, and the subsequent cover-up, to bring a change. The reforms initiated by President Roh Tae Woo in 1987 encouraged greater discussion about the case in the National Assembly and led to its re-investigation. The combination of public outcry and discussion were undoubtedly factors in the gradual diminution of reports of torture from 1988 on, although the problem has by no means been eradicated.

In terms of the abuses in these countries that both Western and Asian governments agree are most egregious, there is little evidence that they were affected by economic growth per se. The exceptions would be the two years following the Tiananmen crackdown in China, when it could be argued that abuses led to a deterioration in economic growth, and the reduced incidence of torture in South Korea, which has had more to do with democratization than with economic growth.

If we look at arbitrary detention in the same countries over the same period (1974 to 1994), we see no correlation with economic performance. China's spectacular growth does not appear to have resulted in any lessening of this practice. Clearly, there has been no return to the scale of detention that characterized the Cultural Revolution, nor is there likely to be. But if we take the years between 1979 and 1994, the waves of political imprisonment that would be defined as arbitrary detention by the United Nations Working Group on Arbitrary Detention have not lessened, despite continued economic growth. If anything, the reverse has been the case since 1989, as the government appears determined not to let economic reforms lead to challenges to party rule. In Tibet as well, from 1987 onwards, arbitrary detention has increased as public demonstrations of support for the Dalai Lama have taken place.

In Indonesia, the period between 1974 and 1994 started with tens of thousands of suspected supporters of the Indonesian Communist Party still being detained without charge or trial in the wake of the annihilation of the party after the September 30, 1965, coup attempt; most of those people had been released by 1981 after intensive international pressure. Thousands were also detained on Atauro Island, off the coast of East Timor, following the Indonesian invasion in 1975; most were released by 1987, although some were transferred to regular

prisons. The use of a draconian antisubversion law to punish nonviolent critics and opponents of President Suharto's New Order was common through the late 1980s. While that law, which makes subversion a capital offense, is still on the books, the tendency over the last five years has been to use political charges under the criminal code, which carry lesser penalties, to arrest outspoken critics. A recent exception was the leveling of subversion charges against left-wing students and an independent labor leader following the July 27, 1996, riots in Jakarta.

In South Korea there is little obvious correlation between arbitrary detention and economic growth over the last 20 years. The Chun Doo Hwan government from 1979 (after the assassination of President Park Chung Hee) to 1987 was worse than its immediate predecessor in terms of sheer numbers of political arrests; most of these arrests occurred under the repressive National Security Law, which

criminalizes the act of belonging to or supporting "anti-state"—that is, pro-North Korea—organizations. And despite the impressive democratic progress made by South Korea since 1987, there were more arrests under the National Security Law in 1990, 1991, and 1992 than in any year of the Chun government except 1987 itself. That fact in and of itself should be a reminder of the dangers of equating democracy and human rights.

Finally, in terms of freedom of expression, South Korea has shown the most visible progress of the three countries since 1987, although writings from or about the north, or about communism, still face severe restrictions. In June, the South Korean government warned that the National Security Law could be applied to attempts to circulate material about North Korea on personal computers; the warning came after a Korean newspaper carried an article on a Canadian Web page with a picture of Kim Jong-il, the North Korean leader. In Indonesia, freedom of expression increased steadily from about 1990 until 1994, when three news publications were arbitrarily closed down, and a chill has since descended over the media. The protests against these closures, however, indicated that there was a public willingness, and lack of fear, to fight back. And while in China many observers point to the increasing frankness and willingness of their Chinese colleagues to speak out, public discourse is still tightly controlled; there is certainly no evidence that there has been an improvement since 1989.

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THE UNDERSIDE OF DEVELOPMENT

The idea that development brings human rights improvements is further eroded if the situation of a prominent group of East Asians—industrial and service workers—is examined in more detail.

Worker rights may soon become the biggest human rights issue in Asia, and one of the most divisive. It is directly tied to the economic strategy of many East Asian countries: using the attraction of low labor costs as an incentive to foreign investors. It symbolizes the social transformation and dislocations taking place in Asia: the flow of workers from rural areas into cities; the declining place of agriculture in the GNP of many countries; the changing role of women (especially with the importance of women workers in key export-oriented industries such as garments, shoes, toys, and electronics); and the internationalization of markets in the region.

Worker rights are also highly charged politically. Asian governments see them as a disguised protectionist tool used by the North against the South, and the North-South lines came out clearly in the discussions over worker rights in the talks leading to the creation of the World Trade Organization. At the same time, many nongovernmental organizations (NGOs) in the region see inattention to worker rights as symbolic of the collusion between their governments and the West in the interest of higher profits. Concern over worker rights in Asia has become a major issue for labor lobbies in developed countries; in the United States there are more economic sanctions written into law for violation of labor rights abroad than perhaps for any other kind of abuse.

The internationalization of labor flows has meant that the lack of worker rights in host countries has led to serious diplomatic tensions in the region: between the Philippines and Malaysia, for example, over the treatment of Filipina domestic workers in Malaysia; between Indonesia and Malaysia over the treatment of Indonesian migrant workers in the latter; or between Thailand and Japan over the treatment of Thai women illegally recruited to work in Japanese brothels.

Worker rights are not only a question of wages and working conditions, although those are the key issues that led to over 10,000 strikes and work stoppages in China in 1993 (by the government's own admission), and to 15,000 to 20,000 workers protesting in the streets of Medan, North Sumatra, in April 1994. Some degree of freedom of association is essential so that workers have some ability to negotiate the terms of their employment. This

ability may be key to the subsistence and survival that Asian governments insist is their top priority. The fire at the Kader toy factory in Thailand in May 1993, or at the toy factory in Shenzhen that killed 84 women in November 1993, or at the textile factory in Fuzhou that killed 61 people the following December, could have been prevented had the workers had some freedom to organize and present grievances. One hardware factory in Shenzhen reportedly had five accidents in a week in which workers' fingers were severed. As long as government regulatory mechanisms and official "unions" fail to function, and as long as the lure of foreign exchange is so high, workers are going to continue to get hurt—or killed.

Tight controls on freedom of association, combined with mounting grievances, also mean that Asian governments are in many cases creating a pressure cooker with the potential to cause far greater damage in the future than relaxing the controls would do now. Deng Xiaoping, and by extension the Chinese leadership, fear nothing more than the "Polish disease," the emergence of a politically sophisticated workers' movement backed by the country's intellectuals. The Chinese government has tried to nip any such alliance in the bud, as with its arrest in mid-1994 of intellectuals and labor rights activists who established an organization called the League for the Protection of the Rights of the Working People of the People's Republic of China. But the message of the league, which stated explicitly that it did not challenge the principles of the Chinese Communist Party and was not a union but merely an interest group, was that inflation, corruption, large-scale unemployment, and decreasing public safety were becoming such serious issues that workers were likely to rebel in large numbers unless their rights were respected.

In the Medan incident in Indonesia, the lack of any outlet to address mounting grievances led thousands of workers to take to the streets, where their anger was easily manipulated by other political forces and led to an outbreak of anti-Chinese violence in which one Chinese businessman was killed and hundreds of Chinese-owned stores vandalized. Wages and benefits were a major issue of the massed workers, but they could have been addressed responsibly had the workers been able to legally organize to do so; instead, the Indonesian authorities had a major public order problem on their hands.

Forced labor, particularly in the form of debt-bondage, is also an increasingly important issue

across East Asia as economic development proceeds. If wages, working conditions, and the right to organize are the salient issues of urban (or urbanizing) Asia, forced labor is more of an issue on the plantations, mines, and timber concessions of the region, often involving upland indigenous peoples, and among migrant workers. In Irian Jaya, a South Korean-owned plywood company hired ethnic Asmat loggers; in the remote camp where they lived and worked, the only source of basic needs and foodstuffs was the company store, where the workers were allowed to buy on credit but no accounts were kept. At the end of the month the workers would be told that their credit purchases exceeded their wages, so they were not paid—but they had no way of verifying the company's statements.

The increase in human trafficking that has followed trading routes in Asia also leads to a form of forced labor: Burmese and Chinese women and girls are recruited to work in brothels by provision of a cash payment, usually to their parents, and a promise of good jobs in restaurants or hotels. When they find themselves in brothels, the owner treats the cash payment as a debt they have to work off, and they are kept in virtual slavery until the owner arbitrarily decides that the debt is paid or the woman in question is no longer wanted. If she tries to escape, she faces arrest in Thailand as an illegal immigrant. The same is true for Indonesian women trafficked to Malaysia, and for Thai and Filipina women trafficked to Japan. Trafficking also contributes to the spread of HIV and AIDS, phenomena that are as much a rights issue as a public health problem. But if there is increasing recognition that AIDS has to be addressed as an issue that transcends national boundaries, there is no such recognition about worker rights.

Growing regional ties have given labor issues a higher profile for several reasons. It is a widely accepted premise that some of the worst working conditions in Asia are in plants set up with Asian capital, from Singapore, Hong Kong, Taiwan, or South Korea in particular. The disastrous fire in Fuzhou in December 1993 took place at a Taiwanese-owned firm, and one of the largest strikes in Indonesia in 1993 was at a South Korean-owned electronics firm. This raises the question whether those Asian governments, like Japan and South Korea, with an explicit commitment to upholding human rights across borders, have any influence or

the will to exert influence over the practices of their own investors. It also gives rise to complacency among United States corporations, who point with pride to the workplace conditions in their own joint ventures and plants and compare them favorably with those set up by their Asian counterparts. But growing worker discontent is likely to have effects that go beyond a single plant, and it is surely in the interests of the United States corporate community to address worker rights issues that go beyond the workplace.

SHAPING AN AMERICAN POLICY

Where does all this leave United States policy? The consequences of economic growth for human rights in Asia have clearly been complex. Growth has altered the human rights agenda of NGOs and governments, but the impact of growth on human rights practices has not always been positive. Like-

wise, there is no single set of policy tools that the United States or other developed countries can bring to bear to address human rights abuses in the region. Each country's situation is different, and no generic policy ("democratic enlargement" or "commercial diplomacy") will work across the board.

The tools available to any country to curb human rights abuses in another are limited. On the incentive side, they can include long-term programs in support of the rule of law, training of legal scholars and practitioners, educational exchanges, and other development programs. They can include support for NGOs, and in some cases, facilitation of trade and investment. They can also include ending whatever punitive measures may have previously been imposed. On the punitive side, they can include stigmatization through, for example, public condemnation, publication of reports, or participation in UN resolutions; diplomatic démarches, refusing to engage in high-level visits, calling in another country's ambassador to express concern or recalling one's own temporarily (or, as in the case of Burma, failing to appoint one), or breaking off diplomatic relations altogether. The threat or imposition of economic sanctions is the most obvious, if the most problematic, punitive measure; this can include withholding loans at international financial institutions, withholding aid, banning commercial sales of certain products, or imposing a selective or total embargo.

It is often assumed that the growing economic strength of East Asia has affected America's ability

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to use some of these tools because the countries are no longer dependent on the United States for aid and their economies are resilient enough to withstand other forms of sanctions. After all, in early 1992 the Indonesian government rejected Dutch aid and sent all official Dutch development workers packing in response to Dutch criticism of the November 1991 massacre in East Timor. China faced down the United States over most favored nation (MFN) trade status, and, after the British press revealed that Prime Minister Margaret Thatcher had promised aid for Malaysia's Pergau dam in exchange for Malaysian purchases of British arms, the Malaysian government banned all trade with British companies for seven months after the scandal erupted. "Why let British companies make money out of Malaysia. . . if we are going to be vilified?" Prime Minister Mahathir asked.

But Indonesian President Sukarno did the same to the United States from a position of total economic collapse in 1964, and we can find similar examples of nationalist reactions from Japan and China in the nineteenth century. We can also find numerous examples of the same countries responding to economic pressure on human rights in the last two years. When threatened by the United States with the revocation of tariff benefits under the Generalized System of Preferences (GSP) program because of violations of worker rights in 1993, the Indonesian government did not reject the pressure; instead, it responded with a series of legal reforms, as yet unenforced, and a significant rise in the minimum wage. Similarly, as long as it believed the threat from the United States was credible, China responded to the pressure exerted by the MFN debate by releasing some prisoners and entering into negotiations with the International Committee of the Red Cross over access to its prisons. All the region's countries have also responded to economic pressure exerted over issues like intellectual property rights without engaging in retaliatory measures or nationalist posturing.

One impact of Asia's economic power on United States policy, therefore, has been less to strengthen the will of Asian governments to withstand the West than to undermine the will of the West to exert pressure in the first place. To the extent Asia is seen as a growing market, a boost to the United States economy, and a source of American jobs, commercial diplomacy from the Commerce Department has to a large extent supplanted the human rights diplomacy of the State Department and Congress. For the moment, trade reigns supreme,

and any effective human rights policy is going to have to be linked to trade, whether it means using major government-sponsored corporate visits, such as Commerce Secretary Brown's trips to Beijing in 1994 and New Delhi in 1995, or building human rights provisions into major trade agreements. The human rights-trade linkage does not necessarily mean economic sanctions, which are increasingly seen as counterproductive not only by the corporate community, by senior members of the Clinton administration, and by many members of Congress, but by many in the human rights community as well. But neither does it mean that visiting repressive countries to conclude business deals will itself result in positive change; the murkiness of the relationship between economic growth and human rights should make that clear.

Asian governments perceive (correctly) a lack of domestic consensus on human rights, and the lack of any will on the part of the United States to fight abuses in countries that are or have the potential to be important trading partners is understood in Asia as the total collapse of American human rights policy. Whatever one thought of the MFN debate—and there were valid concerns about substance and style—the precipitate backing down of the United States and the way in which delinkage was couched produced reactions of dismay from Asian human rights activists from Sri Lanka to Japan, and thinly disguised chortles of triumph from Asian governments. It is difficult to believe that any human rights-related economic threat by the United States against an East Asian country would be taken seriously now because the will to carry through is so obviously missing.

TEN RECOMMENDATIONS

What then are the elements of a good human rights policy in East Asia?

It should be rooted in the international framework for protection of human rights and be justified as much as possible in terms of international law rather than American values. This means that the United States must make a concerted effort to obtain ratification of the major international human rights treaties to which it is not yet a party, such as the International Covenant on Economic, Social and Cultural Rights. It also means that human rights should be rhetorically delinked from democratization programs.

It should make as much use as possible of existing international human rights agencies and develop multilateral coalitions to press govern-

ments that abuse human rights to invite the UN's "thematic mechanisms" to visit, investigate, and make recommendations. These mechanisms include the Working Group on Arbitrary Detention; the Working Group on Enforced and Involuntary Disappearances; the Special Rapporteur on Torture and Other Forms of Cruel, Inhuman and Degrading Treatment; the Special Rapporteur on Summary and Arbitrary Executions; and the Special Rapporteur on Religious Intolerance. Visits by the members of the Committee on Economic, Social, and Cultural Rights should also be encouraged. Multilateral pressure on countries with extensive political imprisonment to grant access to the International Committee of the Red Cross would also be useful. Japan would be more likely to join such efforts than to take part in the imposition of economic sanctions, but it will still take time, resources, and political will to put together an effective coalition and keep up the pressure beyond the UN visits, if indeed they take place, to the implementation of the recommendations.

It should include development efforts to promote the rule of law, as long as those efforts do not serve more to enhance the legitimacy of abusive governments than to strengthen their legal systems.

It should pay increasing attention to human rights and development issues, ensuring that political-civil and social-economic rights are treated as indivisible; that bilateral and multilateral aid, trade, and lending policies are consistent with human rights principles; and that groups that are particularly vulnerable to the negative impact of economic development, such as workers, be given high priority.

Multilateral efforts should not be seen as a substitute for bilateral measures, and the latter should include criticism of human rights abuses, both private and public. However much Asian governments may resent being publicly stigmatized, public criticism serves as both a form of pressure and a message of support to those within a country who are working for human rights. That criticism can take the form of anything from public statements at donor meetings to comments at regular State Department briefings to avoidance of high-profile meetings with representatives of the country in question if the gravity of human rights abuses warrants.

The increasing economic importance of East Asia means that the Clinton administration should

increasingly look to the private sector as a partner in supporting human rights initiatives, but it needs to lead, not follow, corporations in defining what those initiatives should be. Businesses need to have more exposure to the human rights, labor, and environmental NGOs working in the countries where they have commercial interests and try to understand their concerns. Trade attachés at American embassies in Asia should be as well versed in human rights issues as their colleagues who are directly responsible for producing the State Department annual report on human rights, and they should be prepared to introduce potential investors to appropriate NGOs for discussions on specific regional issues.

The United States needs to speak as much as possible with one voice, but that should not mean reducing human rights concerns to the lowest common denominator among the State, Commerce, Treasury, and Defense Departments and the National Security Council. As in every other foreign policy issue, this one needs presidential leadership.

Economic sanctions as provided for in United States law should be the tool of last resort. If sanctions are threatened, they must be tied to specific, concrete objectives and the threat must be credible. If sanctions are imposed, the United States should make clear to the target country precisely what it needs to do to get the sanctions lifted.

A human rights policy should not be tailored to considerations of what is acceptable to Asian governments, since human rights criticism in any form rarely is. Efficacy in securing human rights improvements is one test of a good policy but not the only one; there are situations where abuses may be so grave that strong unilateral action is appropriate simply to send a message, even if the prospects for ending those abuses are slim.

A good policy would be sensitive to the concerns and priorities of human rights groups and activists within a country, to the extent that these can be accurately assessed.

International pressure on human rights remains essential, as long as one is clear about ends and means. The aim of a human rights policy should be limited and specific: not to overthrow a government or change a political system, but to stop—or at least reduce—violations of rights clearly set forth in international agreements. A human rights policy that aims at long-term development and ignores ongoing abuses does not deserve the name. ■

"Even as Suharto's regime fragments under its own weight, key segments of society—the military, the business community, the NGOs, or the outlawed independent unions—alternate between waiting and a game of cat and mouse. Such a vacant constellation of forces produces no clear movements and no apparent leaders."

Uncertainty in Suharto's Indonesia

JEFFREY A. WINTERS

President Suharto's decisive and sometimes ruthless exercise of power over the Indonesian archipelago has earned him a reputation as a shrewd dictator. A simple man who does not burden himself with complicated studies and reports, Suharto is said to make decisions both large and small on the basis of strong political instincts. He also consults Javanese seers and psychics for guidance and inspiration. Ministers complain about having to take policy cues from vague hints and offhand comments.

Whatever the formula or method of rule, the iron grip of Asia's most durable dictator is slipping. That the unraveling of Suharto's New Order has been gaining momentum is evident from the events of this year, the worst the former general has endured since he seized control of the country three decades ago.

Although Indonesia is a sprawling and diverse country, Suharto managed to concentrate tremendous power for himself in the decade after he came to power in 1965. He accomplished this through a systematic attack on all competing centers of institutional, ideological, and personal power. One result of this concentration was that the president's rule became more simplified. On a broad range of issues it was enough for Suharto to make his wishes known, and he could be fairly certain that the necessary steps would be taken in both the public and private realms to accomplish them. In the eyes of the Javanese, the dominant group in Indonesia, the more effortless the rule, the more powerful the ruler. Conversely, the increasing need to exert power overtly signifies a leader's decline. In recent years, however, there has been mounting evidence that

Suharto's rule is growing more difficult. The president's political maneuvers appear clumsy, and even when Suharto exerts himself he loses key battles.

NEW RULES FOR AN OLD GAME

After first collapsing several opposition parties into two ineffectual organizations, the Muslim-based United Development Party (PPP) and the largely Christian-nationalist Indonesian Democratic Party (PDI), in 1973, Suharto spent the next 20 years manipulating their leadership and exploiting their internal conflicts. But by 1993 there were signs that the old game of divide and conquer would be played by new rules. The president had an unusually difficult time keeping Ismail Hasan Metareum, the pliant leader of the PPP, in office. And more significantly, Suharto bungled his handling of the PDI.

Although he successfully blocked the reelection of Soerjadi, a mild critic, to the top post of the PDI, Suharto lost control of the game. By pushing out a figure who was a minor irritant at the head of a minor party, the president paved the way for the PDI's election in December 1993 of Megawati Sukarnoputri, a figure of much greater political potential thanks to her lineage as daughter of Sukarno, the country's first and only other president. Despite a vigorous effort at the PDI congress to prevent Megawati's election, Suharto could not prevail. The embarrassment of this defeat has haunted the president, with dire repercussions in 1996. Even before this year's events, however, a number of incidents demonstrated that Suharto was losing not just on major issues, but on relatively minor matters as well.

The first of these occurred in January 1994 during internal elections held by the Indonesian Chamber of Commerce and Industry (KADIN). Traditionally KADIN had elected the candidate Suharto wanted to lead the organization. For the

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1994 vote, the president had signaled that he favored Abdul Rachman Ramly, the former head of Pertamina, the state oil company, and a former ambassador to the United States. But in a shocking upset, KADIN members chose a prominent businessman, Aburizal Bakrie, in balloting that was delayed into the night until Suharto himself finally conceded that his candidate would not prevail. That Bakrie was never afforded the presidential audience customarily given to the new head of KADIN provided still more evidence of Suharto's displeasure with the outcome.

OUTING THE INFIGHTING

Another indication that Suharto's grip on power was slipping could be seen in ministerial bickering and backstabbing that increasingly spilled over into the pages of the country's major newspapers and magazines. Deep splits were nothing new in Suharto's cabinets. But for the first time, the battles between different ministerial factions were being waged in the open. In June 1994, three of the country's most respected papers and magazines stepped into the cross fire and were finally ordered closed by Suharto for exposing ministerial infighting.

This spectacle sent a number of signals to Indonesian society. First, it showed that disagreements within the government were much deeper than most people had realized. To some this realization presented new political opportunities to undermine the New Order. Second, the public nature of the arguments suggested that Suharto was losing control over his ministers, who were apparently more concerned with positioning themselves for their future in a post-Suharto Indonesia than they were with any immediate punishment from the president for undermining the facade of state unity.

The next blow came in December 1995, when Suharto failed to block the reelection of pro-democracy advocate Abdurrachman Wahid as chairman of the Nahdlatul Ulama. With 34 million followers, NU is the largest Muslim organization in Indonesia, which itself has the largest Muslim population in the world (some 90 percent of its 200 million people profess Islam as their faith).

Suharto's inability to block Wahid's election was significant not because NU is a rival to the ruling Golkar party—NU has proclaimed itself to be apolitical—but because the PDI fiasco in 1993 had prompted Suharto to fight in an uncharacteristically strenuous fashion to ensure that Wahid would not prevail. Despite the bribes, intimidation, and outright threats that reduced some NU delegates to tears as they cast their votes, Suharto was handed a resounding defeat. Like Bakrie, Wahid was denied the customary audience with the president.

Every prominent opposition figure in the land—including Megawati Sukarnoputri, former general Ali Sadikin, Muslim poet Emha, and Indonesian rock star Iwan Fals—showed up at a huge ballroom in Jakarta to celebrate the democratic symbolism of Wahid's victory. Iwan Fals even sang a song that included the refrain, "hang Suharto," causing some of the guests to head for the door lest they have a more exciting evening than they had bargained for.

The Wahid-NU setback set the tone for the troubled year of 1996. This year's difficulties began in April when Tien Suharto, the president's famously corrupt wife and closest confidant, died suddenly from a heart attack. The most immediate political impact of her death was to remind Indonesians that the Suhartos were indeed mortal.

The more subtle impact of the first lady's death was widespread suspicion that Suharto, now 75, no longer possessed the will or the determination to hold on as president. Even if, as some suggest, her death matters little to Suharto, and even if he has as much fight as ever, her death is important politically because Indonesians can now contemplate and even plan for the once unimaginable: an Indonesia without Suharto and his family in charge.

The sudden announcement in July that Suharto was flying to a German heart clinic for a "checkup" fueled speculation that the president was in poor health. Despite reassuring photos of a smiling Suharto strolling through the clinic gardens, Indonesian financial markets reacted with a sharp downturn.

MUZZLING MEGAWATI

The trip to Germany interrupted Suharto's boldest move yet to harass Megawati and the PDI. Before departing, the president and his minions had sponsored an illegal PDI congress intended to restore the same Soerjadi faction Suharto had ousted in 1993. Not only would Soerjadi be indebted to Suharto for being allowed to retake the party leadership, but he could never hope to be a contender for national leadership in the way Megawati could.

Backers of Megawati, who represent a large majority of the PDI's rank and file, refused to accept the renegade congress and the Soerjadi leadership. The PDI headquarters in Jakarta became the symbolic line in the sand, and Megawati and her followers defied demands by the government, the police, and the army to surrender the building. Instead, they erected an outdoor platform and held daily "freedom forums" where Megawati and other opposition figures criticized the government's restrictions on political freedoms in general and the subversion of the Democratic Party in particular.

Back from Germany, Suharto refocused his attention on the PDI. On the morning of July 27, security forces stormed the organization's headquarters. The siege began just before sunrise and was over by midmorning. Supporters of Megawati were beaten severely, dragged bleeding from the building, loaded into military trucks, and taken away as bystanders looked on in horror. More than 70 people are still missing.

By early afternoon, tens of thousands of ordinary Indonesians had poured into the streets of Jakarta, destroying property and burning scores of buildings, most of which were government offices. By all accounts it was the worst unrest the country had seen since the mid-1960s. Significantly, this was the first time such unrest did not devolve into racist attacks on the country's wealthy, ethnic-Chinese minority.

Suharto claimed that a cell of communists had masterminded the riots. But in a country that does not even have a moderate left, virtually no one believed such nonsense. Instead, the effort to demonize dissent by using the communist bogey has backfired, convincing many Indonesians that the Suharto regime is desperate and hopelessly out of touch.

A more realistic interpretation combines the proximate cause provided on the morning of July 27 with deeper socioeconomic trends. Had the attack on the PDI been the sole reason for the riots that day, the number of participants would not have swelled to the tens of thousands and spread across Jakarta and to other parts of the archipelago. A more fundamental cause of the unrest lies in a strong undercurrent of resentment and frustration with Suharto's government, its rampant corruption, and a persistent pattern of economic and political exclusion. Perceiving correctly that Suharto's hold on the system is slipping, and triggered by the brutality of the day, the people took their cue.

Clearly shaken by the riots, the president stunned a delegation of Japanese journalists in September when he suggested that "there is a need to prepare the next leader." This was the first indication that Suharto may not seek a seventh five-year term starting in 1998 (general elections will be held in June 1997 for the assembly that chooses the president).

The political unrest this summer focused considerable world attention on Indonesia, Megawati, and human rights abuses. Thanks to Suharto's miscalculations, Megawati was transformed from an obscure housewife with no political experience into a figure compared with President Corazon Aquino

of the Philippines or Nobel Peace Prize winner Aung San Suu Kyi of Burma. Domestically, her support widened when people who were not necessarily interested in backing the PDI disapproved of the way Sukarno's daughter was being treated and sympathized with calls for more political openness.

THE UNITED STATES AND THE "BIG WINK"

Suharto's troubles continued into the fall, when two additional developments kept the country in the global spotlight. This time the United States found itself dragged into the unfavorable glare. In October the Nobel Peace Prize was awarded jointly to Bishop Belo of East Timor and East Timorese foreign minister-in-exile José Ramos Horta. And in the closing weeks of President Clinton's reelection campaign, stories surfaced of shady contributions made by Indonesian investors to the Democratic Party. Partly because of timing, the two stories were

linked as reporters asked whether large donations from Indonesians close to Suharto might have softened United States policy toward a regime that was violating not only the human rights of its own citizens, but also those of its neighbors in East Timor.

For purely economic and geostrategic reasons, the United States has backed Suharto's New Order through more than three decades of human rights abuses. Most recently, in June 1994, when Suharto clamped down on the domestic press, the United States issued garden-variety condemnations and said Indonesia

should strive for more openness. This spring, when unarmed students demonstrating in the city of Ujung Pandang were killed by army troops (one was dangled by his feet from a balcony and then dropped), the United States government offered more words but took no meaningful action. And despite reports that scores of people may have been killed by the army during the unrest in Jakarta in July, despite orders given after the riots to shoot dissenters on sight, and despite a wave of arrests of pro-democracy activists on charges of subversion (which carries the death penalty in Indonesia), United States officials have gone out of their way to signal their continuing support for the Suharto regime. Pressure from a powerful minority in Congress, led by Senator Patrick Leahy (D.-Vt.), won only a postponement in the sale of nine F-16 jet fighters to Indonesia following the summer crackdown.

The announcement of the Nobel Peace Prize

A more fundamental cause of the unrest lies in a strong undercurrent of resentment and frustration with Suharto's government, its rampant corruption, and a persistent pattern of economic and political exclusion.

prompted reporters around the world to dig into the mostly forgotten story of American cooperation with Suharto over Indonesia's 1975 invasion and subsequent occupation of East Timor, and Suharto's government had to endure weeks of embarrassing exposure.

The story begins with what has been called the "big wink"—the visit of President Gerald Ford and Secretary of State Henry Kissinger to Jakarta in December 1975, which gave the signal President Suharto had been waiting for to launch his invasion. Suharto knew that Ford and Kissinger were aware that an attack was imminent, and that provocative incursions by Indonesian forces had already been made into the former Portuguese colony. What Suharto did not know was how the United States government would react to the Indonesians' making offensive use of American weapons that had been supplied for strictly defensive purposes.

When Ford and Kissinger departed Jakarta without even mentioning East Timor—much less warning explicitly against using United States weapons for the invasion—Suharto correctly concluded that the United States would look the other way as the slaughter commenced. What the American officials had perhaps not bargained for was that the invasion would begin the very next day. Twenty years and more than 200,000 dead Timorese later (a third of the country's population), the United States still refuses to press the Indonesian government to seriously discuss peace and self-determination for East Timor.

One plan to achieve these goals has been proposed by Nobel winner Horta. His three-phase peace plan begins with the withdrawal of Indonesian troops, calls for the election of a local assembly that will not challenge Indonesian sovereignty, and culminates 10 years later with a free vote by the Timorese on independence. Instead of welcoming this eminently reasonable plan, the United States has blocked pressures on Indonesia to reach a diplomatic solution.

But this is part of a recurrent pattern. After a shocking videotape showing the massacre by Indonesian troops of 250 unarmed mourners at an East Timorese cemetery in 1991 was smuggled out of Indonesia, the United States government came under pressure to cut off officer training for the Indonesian military. Some of the most notorious Indonesian commanders in East Timor had received military training in the United States, including Major General Prabowo, Suharto's son-in-law. American officials responded that expanding training for the Indonesian army was the best way to improve discipline and ensure human rights were observed. As Horta remarked pointedly at the time,

"now the Americans propose to run summer camps to reform military thugs."

DECAY FROM WITHIN

Despite the end of the cold war, which removed the main justification offered for blindly supporting the New Order, there are no signs that challenges to Suharto's position will come from a shift in policy by major allies. Any real challenge will have to come from within Indonesia. It is important to recognize that the loosening of Suharto's grip on power has resulted less from an organized opposition movement than from the regime's deterioration from within. Disjointed challenges from a society that is more complex and less patient than before are being met by outdated government responses and tactics that are no longer effective. This was especially clear in the months after the July riots when the effort to blame communist agitators, always effective in the past, was widely ridiculed.

Suharto's domestic critics are a diverse group. Some are discontent because they are "out," when they feel they deserve to be "in." Others are mostly satisfied with the system, but would like to see less corruption. A relatively small group of dissidents objects on ideological grounds to military domination and the generally antidemocratic character of the government. All opponents of the regime are fragmented, unorganized, and largely ineffective, and seem to take turns being bought off by Suharto and the patronage system he has built.

The case of Megawati and the PDI is instructive. Until Suharto cornered the party and its leadership early in the summer of 1996, virtually nothing the party did could justify calling it an "opposition." Under Megawati's leadership the PDI has not developed a serious plan to achieve electoral victory, nor has it articulated a coherent alternative vision that could serve as the basis for amassing a broader following. At every turn the party has reacted rather than acted.

The same can be said for all the other opposition forces in Indonesia. In November 1996, Wahid stunned the country by announcing that he supports the nomination of Suharto for a seventh term. Even as Suharto's regime fragments under its own weight, key segments of society—the military, the business community, the NGOs, or the outlawed independent unions—alternate between a game of waiting and cat and mouse. Such a vacant constellation of forces produces no clear movements and no apparent leaders. It is this pattern of decline combined with the absence of viable or even identifiable alternatives that have cast a deep uncertainty over Indonesia. ■

"While undoubtedly enjoying widespread popular support," Aung San Suu Kyi and her National League for Democracy "lack a coherent strategy to counter SLORC. It also appears that actions taken by the West have had little impact. Political change in Burma seems to depend on when, if ever, ASEAN begins to pay less attention to geopolitical security concerns and economic gains than to human rights and the rapid spread of narcotics in the region."

Narcopolitics in Burma

BERTIL LINTNER

A little over a year after Burmese opposition leader and Nobel Peace Prize winner Aung San Suu Kyi's release from house arrest in Rangoon last July, politics in Burma has come nearly full circle.

Suu Kyi had been detained in July 1989 after a year of confrontation between her party, the National League for Democracy (NLD), and the ruling military junta, the State Law and Order Restoration Council (SLORC). Her detention had caused an international outcry, which raised hopes that her release would end the conflict and lead to a dialogue between the NLD and SLORC. Those hopes were dashed only three months after Suu Kyi's release when the government newspaper, *The New Light of Myanmar*, resumed its attacks on Suu Kyi and the movement she was trying to revive after years of repression.

In November 1995, one month after the newspaper attack, the handful of NLD representatives to the National Convention—a body of 700 delegates SLORC had charged with drafting a new constitution—walked out. The convention, they said, did not represent the wishes of the Burmese people.

The NLD had won a landslide victory in a general election in May 1990, while Suu Kyi was still under house arrest, capturing 392 out of 485 seats in the National Assembly. But the assembly was never convened. Instead, SLORC, contrary to earlier promises not to interfere with the constitutional process, called the National Convention. The con-

vention included only 97 delegates from those who had been elected in May 1990, most from the NLD. The more than 600 remaining delegates were hand-picked by the military. The NLD felt that it had entered the National Convention under duress while Suu Kyi was in detention. With its leader free again, the NLD evidently thought it had the strength to claim its 1990 election victory.

The walkout backfired badly. Repression increased, and when the NLD attempted to convene a congress in Rangoon this May, SLORC reacted harshly, arresting 258 people, 238 of whom had been elected to parliament in 1990. Most were released after questioning, but several were sentenced to long prison terms. In September, a second attempt by the NLD to gather its scattered forces provoked an even stronger response: more than 800 people were taken into custody, and between 40 and 50 remain in detention. At least 11 were sentenced to long prison terms; the stiffest sentence was meted out to Aung San Suu Kyi's aide, Win Htein, who received 14 years.

Perhaps even more significantly, on September 27, 1996, SLORC sealed off the capital's University Avenue, where Suu Kyi lives. Until then Suu Kyi's home had been the venue for weekly gatherings since her release from house arrest. Every Saturday she had spoken from her compound to crowds of thousands of people. Although the barricades on University Avenue were removed a few days later, they went up again the following Saturday, and continue to go up whenever SLORC suspects people are about to gather outside her house, indicating that the public rallies will no longer be tolerated.

Suu Kyi's telephone lines also have been cut whenever there is a gathering outside her home,

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leaving her unable to communicate with her followers or with the outside world. Although no official detention order has been issued and the junta insists that Suu Kyi is “free to go wherever she likes,” she is in fact under virtual house arrest—and the revival of her democracy movement has been quashed.

THE NEWEST PARIAH STATE

Although successful at home, the most recent crackdown caused a backlash in the international arena. In early October 1996, President Bill Clinton slapped a visa ban on members of SLORC, their family members, and others who “benefited from policies that are impeding the transition to democracy in Burma.” The month before, the United States Congress had passed legislation obliging the president to prohibit new investments by American businesses in Burma “if SLORC physically harms, re-arrests, or exiles Aung San Suu Kyi, or continues its repression of the democracy movement.” While American companies had successfully lobbied Congress to water down another bill that would have triggered outright sanctions against Burma, sanctions now seem unavoidable.

A privately initiated boycott movement has also gathered speed in the United States as local governments enacted laws banning the purchase of goods and services from companies doing business in Burma. In October, Apple Computer announced that it was pulling out of Burma to avoid being penalized by the Commonwealth of Massachusetts. The city of San Francisco has begun scrutinizing the United States-based Motorola, Swedish telephone giant Ericsson, Japan’s Mitsubishi Heavy Industries, and other companies that have placed bids for two large city projects. Under San Francisco’s tough new legislation, the bid of any company doing business in Burma would be rejected.

The October sweep against the NLD also prompted the European Union to condemn SLORC. The union’s foreign ministers called for the immediate release of the hundreds of NLD members who had been detained by the military authorities. The ministers stopped short of mentioning sanctions, but said they wished to “emphasize the need for a genuine dialogue to commence without delay between SLORC and the NLD.”

In Canberra, Foreign Minister Alexander Downer ordered the Australian ambassador in Rangoon to protest the crackdown to the junta “in the strongest terms.” In Tokyo, Foreign Ministry spokesman Seiroku Kajiyama told a news confer-

ence that “Japan cannot overlook moves that run counter to the democratization of Burma.”

But SLORC seemed unmoved by this international outcry and continued its campaign against what was left of the NLD inside the country—as well as striking back at critics abroad. On October 11, *The New Light of Myanmar* ran a lengthy commentary by “U Byatti,” believed to be the pseudonym of a high-ranking SLORC spokesman. It was written in the junta’s quaintly jumbled, archaic English, but the message was clear.

The author of the article ridiculed “[t]raitorous axe-handles” inside and outside the country, condemned the United States government, and, perhaps inadvertently, expressed SLORC’s views on Burma’s political future and its position in regional power politics. Suu Kyi would “never come to get a legal stand in the political sphere of Myanmar [the SLORC renamed Burma “Myanmar” in 1989]. . . and . . . Myanmar will never be an American-style democracy.”

The article then raised the issue of the West’s threats to impose sanctions against Burma: “Myanmar people will not shrink away or waver simply at mere mention of America. . . There still exist many centers of power in the world. One center of power is China with common borders and good traditions of friendly relations with Myanmar.” U Byatti then referred to American moves in 1993 to impose sanctions against another Asian pariah state, North Korea, which he claimed had been thwarted by China: “[I]t should be noted that the US cannot have its way in Asia without China’s consent.”

When SLORC assumed power in September 1988, it massacred thousands of pro-democracy demonstrators in Rangoon and in other cities and towns across the country. This crackdown elicited an even stronger international outcry than is seen at present. All foreign aid was eliminated, and trade was curtailed substantially. China quickly filled this vacuum by opening its border with Burma to trade, extending loans to Rangoon, and selling massive quantities of arms and ammunition to Burma’s armed forces.

The military had stepped in, not to overthrow the ruling Burma Socialist Program Party (BSPP), but to shore up a regime overwhelmed by popular protest. In short, the military simply dropped its civilian fig leaf to assume direct power through SLORC. A massive military buildup, with Chinese assistance, helped the junta survive its first difficult years in power. The armed forces grew from an estimated 180,000 soldiers before the bloody events of 1988 to more than 300,000 today. The

final goal is said to be a 500,000-strong military machine.

The once poorly equipped Burmese army suddenly found itself in possession of hundreds of new light infantry weapons as well as battle tanks, jet fighters, and patrol boats. The military increased its visibility in all fields and tightened its grip on the country. It appeared the massive demonstrations of 1988 had shaken the military regime out of its complacency.

THE SLORC WAY TO CAPITALISM

"The Burmese Way to Socialism"—the stated ideology of the BSPP—had led to economic ruin, with Burma, once one of Asia's most prosperous countries, being forced to apply for least developed country status with the UN. Industrial production had fallen even in real terms, the country's external debt was mounting, and foreign exchange reserves in September 1988 were estimated to be a mere \$10 million to \$20 million.

The junta discarded the socialist state ideology after assuming power and in November 1988 introduced a new, fairly liberal foreign investment law. Given the unsettled political situation, it was not surprising that the initial response was lukewarm, even from investors in the region. But foreign investment gradually picked up, especially in the potentially lucrative energy sector. Burma is believed to have considerable untapped reserves of oil and gas. The American firms Unocal and Texaco, France's Total, and other oil companies began in late 1989 to invest millions in Burma.

Although the abolition of the disastrous Burmese Way to Socialism had been initially motivated by a desire to survive economically, the military soon discovered that a number of other benefits came with foreign investment and liberal domestic economic policies. Many officers became rich through kickbacks and private business deals, dampening any dissent that had existed among the rank and file during the turbulent years of 1988 and 1989.

The military as an institution has also benefited from the new economic policies. The preferred local partner for most foreign companies—and not always by choice—has been the Union of Myanmar Economic Holdings. Set up in February 1990, UMEH has become one of the country's largest companies, with registered capital of 10 billion kyats—\$1.6 billion at the official exchange rate, or \$67 million at

the prevailing black market rate. Significantly, 40 percent of this powerful company is owned by the armed forces' Directorate of Procurement.

SLORC realized that to avoid another uprising, the public would have to benefit from its policies. It needed to woo popular opinion from the NLD, which had propagated free trade and economic liberalization before SLORC adopted similar ideals. Today, Suu Kyi and the NLD claim that SLORC's economic policies have benefited only a privileged few. But the fact remains that after years of socialist austerity, privately owned enterprises, including family-run hotels, shops, and small factories, have mushroomed in Burma.

While Western companies have been restrained by human rights concerns, Asian countries have been quick to take advantage of Burma's new economic policies—an eagerness due only in part to Burma's image as the emerging "tiger" in a region that is economically the fastest growing in the world. U Byatti may have bragged about Burma's close friendship with China as a warning to the United States. But that friendship—especially massive Chinese arms shipments to Burma—has also been a cause for regional concern, and a major reason why the Association of Southeast Asian Nations (ASEAN) has not heeded Western calls to isolate SLORC.

In theory, both the West and ASEAN want to see the healthy development of democracy in Burma. The West wants to encourage it through diplomatic, political, and economic pressure, while ASEAN officially believes that a policy of "constructive engagement" would be more effective in achieving the same goal. In reality, the aim of ASEAN's constructive engagement is not to entice SLORC to become more democratic, but to pull it away from its most important ally since 1988: the People's Republic of China.

Singapore has been especially active in Burma, investing more than \$900 million and promoting official visits. A study by Australian defense analyst Andrew Selth in 1996 by the Strategic and Defense Studies Center of the Australian National University, noted that Singapore is emerging as an alternative source of weapons procurement for the Burmese, offering better and more sophisticated equipment than the Chinese.

According to Selth, Burma's Singapore-supplied munitions include surface-to-air missile systems, mortars, automatic rifles, and small arms ammuni-

"[E]xport of opiates alone appears to be worth as much as all legal exports," or \$922 million at the official exchange rate.

tion. Selth notes that "Singapore may also be training Burmese military personnel in the use of modern information technology systems and other electronic equipment being provided to the Burmese *tatmadaw* [the armed forces] by Singaporean companies." Political support from Singapore also came after the crackdown against the NLD this May, when Senior Minister Lee Kuan Yew declared: "At the end of the day, the opposition in Burma has to face the realities of life. The one instrument of effective government there is the army."

When the Danish Carlsberg and Dutch Heineken beer companies gave in to pressure from pro-democracy groups and pulled out of Burma shortly after the crackdown, Singaporean companies quickly replaced them. Fraser and Neave stepped in to fill Heineken's slot, and Tiger Beer may become the replacement for Carlsberg. Other Singaporean firms have invested in everything from trading and hotels to manufacturing. Approved Singaporean investment in Burma totaled \$896 million by 1996, and is steadily increasing.

Singapore has emerged as the leading source of foreign investment in Burma since the economy was opened in 1988. Britain comes in second on the list with \$807 million worth of commitments, but that figure includes companies registered in the British Virgin Islands and similar tax havens. France is number three with \$465 million, almost exclusively made up of Total's investment in the energy sector. Other major investment includes \$422 million from Thailand, \$420 million from Malaysia, \$241 million from the United States, and \$106 million from Japan.

China's somewhat lower profile in Burma in the last two years lends credence to the suggestion that ASEAN's policy of constructive engagement has been successful in wooing SLORC from China. In September, shortly before the most recent crackdown, Malaysia, another close trading partner, endorsed Burma's application for membership in ASEAN when it celebrates its twentieth anniversary next year. The Philippines and to some extent Thailand have expressed reservations about admitting Burma before it has accepted at least some political pluralism. But ASEAN's traditional policy has been not to interfere in the "internal affairs" of member coun-

tries, which means Burma may well become a member of the group in 1997. Any sanctions imposed by Western countries against Burma would then be largely ineffective, since Singaporean companies would replace the departing Western companies (as was seen in the case of Carlsberg and Heineken).

It is also clear that the divergent opinions on how to approach the Burmese problem do not represent an East-West divide, as ASEAN governments often insist when rejecting calls for tougher action against SLORC. A number of nongovernmental organizations and other lobby groups in ASEAN countries strongly disagree with their governments' policies toward Burma. The Thailand-based Asian Forum for Human Rights and Development, which includes some of Thailand's brightest talents and most influential nonpartisan political activists, stated in a report released after the crackdown in October that "ASEAN policy is fraught with dangers. An impoverished and strife-torn Burma would contribute to increased smuggling of arms and drugs, trafficking in women, and the outflow of refugees and illegal immigrants. . . ASEAN should strive to promote peace and democracy in Burma."

OPIATES FOR THE MASSES

The Asian Forum's concerns are not unfounded. An estimated 400,000 Burmese are working illegally in Thailand alone, and each year thousands of girls from Burma are being sold into prostitution there and elsewhere in Southeast Asia. Perhaps even more worrisome is Burma's booming export of drugs. Western and Asian narcotics officials estimate that the production of illicit narcotics in the Burmese sector of the Golden Triangle—the area where the borders of Burma, Laos and Thailand intersect—has nearly tripled since SLORC's formation.

According to the United States government, the 1987 harvest for Burma alone yielded 836 tons of raw opium; by 1995, production had increased to 2,340 tons. The area under poppy cultivation increased from 92,300 hectares in 1987 to 142,700 in 1989 and 154,000 in 1995. The potential heroin output soared from 54 tons in 1987 to 166 tons in 1995, making drugs the country's growth industry—one that continues to expand, despite government claims to the contrary.¹

Under SLORC, Burma has become the world's leading producer of heroin and opium. In June 1996, the United States embassy in Rangoon released a report charging that "export of opiates alone appears to be worth as much as all legal

¹It takes 10 kilograms of raw opium, plus chemicals, to make 1 kilogram of heroin. "Potential heroin output" is therefore equivalent to opium output divided by 10. However, not all raw opium is refined into heroin, because a substantial amount of opium is consumed locally in its raw form.

exports," or \$922 million at the official exchange rate. The report also said that the Burmese government "makes no perceptible effort to bar investments funded by the production or export of narcotics."

According to the report, the barriers between the legal and extralegal economies have weakened partly because of the government's policy of "openly welcoming investment without any consideration of the likely original source of the funds." The report noted significant investment in hotels and construction by companies closely associated with known drug traffickers.

Meanwhile, the embassy report said, gross legal investment declined from about 21 percent to about 18 percent of GDP, foreign direct investment fell from 9.3 percent to 5 percent of GDP, the government's external arrears nearly doubled to \$1.5 billion, and its stock of external debt (excluding debt for military imports) grew to \$5.5 billion, thus painting a much gloomier picture of the Burmese economy than is usually presented by Asian sources.

PLAYING THE ETHNIC CARD

The heroin boom in Burma is the direct outcome of another element of SLORC policies. In the wake of the 1988 massacres, more than 8,000 pro-democracy activists fled Burma's urban centers for the border areas near Thailand, where a multitude of ethnic insurgents, not involved in the narcotics trade, were active. The military feared an alliance between the ethnic rebels along its frontiers and the pro-democracy activists.

However, these rebel groups along the Thai border (Karen, Mon, Karenni, and Pa-O) were unable to provide the urban dissidents with more than a handful of weapons. None of the ethnic groups could match the strength of the Communist Party of Burma (CPB), whose 10,000 to 15,000 troops then controlled a 20,000-square-kilometer territory along the Sino-Burmese frontier in the northeast.

Unlike the ethnic insurgents, the CPB had vast quantities of arms and ammunition that had been supplied by China between 1968 and 1978, when it was Beijing's policy to support communist insurrections in Southeast Asia (a fact carefully avoided in the SLORC's official rhetoric; "eternal friendship" is said always to have dominated Sino-Burmese relations). Although the aid had virtually ceased by 1980, the CPB still had vast stockpiles of munitions, probably enough to last for at least ten years of guerrilla war.

Despite government claims of a "communist

conspiracy" during the 1988 uprising, there was at that time no linkage between the anti-totalitarian, pro-democracy movement in central Burma and the orthodox, Marxist-Leninist CPB. However, given their strong desire to avenge the massacres, it is plausible to assume that the urban dissidents would have accepted arms from any source. Thus it became imperative for the SLORC to neutralize as many of the border insurgencies as possible, especially that of the CPB.

A situation potentially even more dangerous for SLORC arose in March and April 1989 when the hill-tribe rank and file of the CPB—led by its military commanders, who also came from the various minorities of its northeastern base area—mutinied against the party's aging, mostly Burman, political leadership.

On April 17, 1989, ethnic Wa mutineers from the CPB's army stormed the party headquarters at Panghsang on the Yunnan border. The old leaders and their families escaped to China, and the former CPB army soon split along ethnic lines and formed four regional resistance armies. Ethnic minority rebels along the Thai border sent a delegation to Panghsang to negotiate with the main Wa component of the CPB mutineers soon after the breakup of the old party. The possibility of a linkup between the four groups and the ethnic minority groups along the Thai border, as well as with the urban dissident refugees, worried SLORC.

But the authorities in Rangoon reacted faster, with more determination, and with much more to offer than the ethnic rebels. Within weeks of the CPB mutiny, the chief of Burma's military intelligence, Major-General (now Lieutenant-General) Khin Nyunt, traveled to the border to meet the former communist commanders, and alliances of convenience were forged between Burma's military authorities and various groups of mutineers. In exchange for promises not to attack government forces and to sever ties with other rebel groups, the CPB mutineers were granted unofficial permission to engage in any kind of business to sustain themselves. Rangoon also promised to launch a "border development program" in the former CPB areas.

Ironically, at a time when almost the entire population of Burma had turned against the regime, thousands of former insurgents rallied behind the ruling military. The threat from the border areas was thwarted and the regime was safe, but the consequences for the country and the outside world have been disastrous. "Business" in the northeast inevitably means opium and heroin.

Within a year of the CPB mutiny, American and Chinese intelligence sources claimed that there were more than 20 new heroin refineries in the former CPB areas west of the Salween River. Former communist commanders have become some of the richest men in Burma. Many have invested their drug profits in real estate, hotels, construction, and even supermarkets in Rangoon, Mandalay, and other cities.

With the collapse of the communist insurgency, several smaller ethnic rebel armies also gave in. SLORC claims it has made peace with 16 former rebel groups. In January 1996, the world was stunned by a spectacle in the eastern Shan hills, bordering Thailand. Army helicopters landed in Homong, the headquarters of the Mong Tai Army (MTA) of Golden Triangle drug lord Khun Sa, where they were greeted by thousands of guerrillas standing at attention, their weapons at their feet. Nearly 15,000 MTA soldiers surrendered to the authorities and handed over assault rifles, machine guns, rocket launchers, and even SA-7 surface-to-air missiles. Until then the MTA had been the strongest and best-armed rebel group fighting the government.

Khun Sa himself left in one of the helicopters for Rangoon, where the government claimed it would keep him "for interrogation" and assured the world that he would be dealt with "according to the laws" of Burma. The United States, which had indicted the warlord on drug trafficking charges in 1989, demanded his extradition, but American government sources say Rangoon ignored even requests to know more about Khun Sa's whereabouts.

A month after the spectacular ceremony at Homong, ten new business companies were registered in Rangoon, all with strong links to Khun Sa. He was seen being driven around Rangoon in a four-wheel drive vehicle, escorted by army officers; it became increasingly clear that he had simply moved his business activities to Rangoon. His drug trafficking continued unabated, but not through Thailand as before.

Instead, Khun Sa appears to have forged an alliance of convenience with Lin Mingxian, a former CPB warlord along the Yunnan frontier who has also entered into a peace agreement with the government. The combined groups and their allies have sent vast amounts of drugs across the border to China. In March 1996, Chinese government

authorities in Guangdong province confiscated in a single sweep more than 300 kilograms of pure heroin that had entered the country from north-eastern Burma.

In response, the United States and others have accused the Burmese government of complicity in the drug trade. "The drug trade in the Shan State continues virtually unchecked," the United States State Department wrote in a March 1996 report on narcotics in Burma. "Burmese authorities lack the resources, the ability or the will to take action against ethnic drug trafficking groups with whom they have negotiated cease-fires. Groups known to be involved in the heroin trade, such as the United Wa State Army and the Kokang militia [both components of the former CPB], remain heavily armed and enjoy complete autonomy in their base areas. Although the Burmese government claims that these groups have committed themselves to drug control as part of their cease-fire agreements, the Burmese government has been either unwilling or unable to get these groups to reduce heroin trafficking or opium production." The report concluded that as a result of this situation, money laundering has become a growing problem in Burma, where drug-related proceeds are reinvested in legitimate commerce, having "a widespread impact on the Burmese economy."

SLORC'S PAYOFF

When the Burmese generals set up SLORC in September 1988, the entire population opposed them, they were condemned internationally, and Burma verged on bankruptcy. Eight years later, through a combination of extremely harsh repression, Machiavellian policies, and other governments' geopolitical concerns, the Burmese armed forces have emerged more powerful—militarily, politically, and even economically—than at any time in the country's history.

While undoubtedly enjoying widespread popular support, the NLD seems to lack a coherent strategy to counter SLORC. It also appears that actions taken by the West have had little impact. Political change in Burma seems to depend on when, if ever, ASEAN begins to pay less attention to geopolitical security concerns and economic gains than to human rights and the rapid spread of narcotics in the region. ■

"It is a supreme irony that North Korea, faltering economically and practically abandoned by its Russian and Chinese partners, hopes to survive with the help of its enemies: the United States and its allies. That beggars can't be choosers does not seem to apply to North Korea."

North Korea: The Cold War Continues

MANWOO LEE

Kim Il-sung's embalmed body may lie in the Kumsusan Memorial Palace, but his ghost reigns over North Korea. More than two years after the North Korean leader's death in June 1994, pictures of Kim appear almost daily in the North Korean media, and official functions are held in front of his enormous portrait. This life-in-death state of affairs has left North Korea watchers puzzled: when will the Central Committee of the Korean Workers Party and the Supreme People's Assembly meet to elect Kim's son, Kim Jong-il, party chief and state president? Groomed since the early 1970s to be his father's successor, Kim Jong-il remains the commander of the People's Army and chairman of the National Defense Commission, posts he assumed in 1991 and 1993, respectively. His position in the party is still unclear; he is called the Great Ryongdoza—Great Leader—of the party and the people, but North Korea continues to emphasize the leadership of the late Kim.

Kim Jong-il has not appeared often in public since his father died. When he does he is usually surrounded by military men, giving credence to those who see the rising influence of generals in North Korea. Most North Korea watchers, however, believe Kim Jong-il is in charge, albeit not firmly. Still, it is clear that the younger Kim does not enjoy his father's status and is not powerful enough to assume the top posts. Perhaps he is unwilling to take over the leaking ship of state. Or perhaps the ruling elites in Pyongyang are in a state of paralysis, unable to settle the succession crisis because they believe it too risky either to finalize the succession or to oust Kim Jong-il. Nevertheless, it

appears that there is no person or group powerful enough to topple him.

BITING THE HAND THAT FEEDS IT?

According to the Bank of Korea, North Korea's GNP last year was \$22 billion; per capita GNP was \$957 (in contrast, South Korea's GNP was \$452 billion and its per capita GNP about \$10,000). The North Korean economy has posted a negative growth rate—a 25 percent decline in terms of GNP—for the sixth consecutive year. Moreover, since the dissolution of the former Soviet Union, North Korea's foreign trade has sharply declined.

To make matters worse, floods last year inundated nearly 75 percent of the country, causing an estimated \$15 billion in damage, equivalent to about 70 percent of North Korea's GNP. The floods were the worst in a hundred years, wiping out 40 percent of the north's arable land and causing food production to fall to 4.2 million tons, 2.59 million tons short of the country's needs. This year, too, many parts of North Korea were hard hit by floods in late July.

Reports from defectors to the south confirm widespread food shortages and even starvation in North Korea. International organizations have expressed grave concern about the status of flood victims; it is reported that approximately 130,000 people have not received food rations for several months and are on the brink of famine. The United States, Japan, China, and South Korea are among the nations that have come to the aid of North Korea. South Korea itself supplied North Korea with 150,000 tons (worth \$237 million) of emergency rice at no charge.

However, the politics of rice aid has degenerated into another inter-Korean skirmish. In 1995 North Korea forced a South Korean freighter carrying the first batch of rice aid to hoist the North Korean flag

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when entering a northern port. That same year, another South Korean freighter and its crew were taken into custody and charged with spying. Angered by North Korea's hostile attitude, Seoul refuses to acknowledge that a famine exists in North Korea and has withheld further food aid, arguing that North Korea is sitting on large military stockpiles of grain and needs no further assistance.

But reports of serious unrest among North Koreans grown desperate in the face of hunger cannot be ignored. United Press in Seoul reported this March that some 7,000 North Koreans had fled to Yangbian, an autonomous Korean province in China, because of worsening economic conditions. And several North Korean defectors to the south have told horror stories of the current situation in the north, detailing food shortages, malnutrition among children, and corruption in the ruling circles. It has also been reported that North Korea has purchased from the West large quantities of riot control equipment—tear gas launchers, synthetic rubber bullet guns, cellular phones and radio pagers, gas masks, shields and billy clubs—indicating the existence of civil disturbances.

To divert internal attention from worsening living conditions, Pyongyang has sharply escalated its anti-South Korean rhetoric. In July 1996, Marshal Kim Kwang-jin, the first deputy minister of the North Korean People's Army, accused South Korea of treating the north's food crisis as an opportunity to invade the north and spread rumors about its collapse. Moreover, South Korea recently attempted to prevent the United States, Japan, and other nations from providing economic assistance to North Korea unless North Korea accepted four-way talks on the inter-Korean problems involving Seoul-Washington and Pyongyang-Beijing; North Korea considers this an act of war.

South Korea and the United States hold sharply different attitudes about the food shortages in North Korea. A May 21, 1996, *New York Times* editorial accused South Korea of using food as a diplomatic weapon and urged the Clinton administration to put hunger above politics. It lamented the spectacle of President Kim Young Sam discouraging economic aid to his fellow countrymen in the north. But South Korea does not understand why the north bites the hand that wants to feed it.

PYONGYANG'S HIGH-RISK DIPLOMACY

Pyongyang's main concerns—national security and the economy—require it to negotiate simultaneously with Seoul and Washington. But it has cho-

sen to exclude Seoul. In Pyongyang's view, economic development is important, but not as important as ending the state of war with Washington. North Korea believes that a peace treaty with Washington that excludes Seoul is essential to its survival. In this regard Pyongyang's foreign policy has been consistent for the past two decades. As early as 1974 North Korea attempted to pursue contacts with the United States to formally end the Korean War. Washington, however, simply ignored these efforts.

With the end of the cold war, North Korea's desperation has become more apparent. A declining defense budget, currently about one-sixth the size of South Korea's projected 1997 defense budget of \$17.6 billion, is also a serious concern for the north. South Korea's establishment of diplomatic relations with Moscow and Beijing in the early 1990s was a major blow to the north and it responded ominously by raising the specter of a nuclear weapons program. To the north's dismay, South Koreans openly discussed absorbing North Korea. North Korea, under extreme pressure from the United States, South Korea, and the international community to abandon its nuclear program but without any security guarantees, surprised the world on March 13, 1993, when it announced that it would withdraw from the nuclear Non-Proliferation Treaty (NPT). This decision reflected North Korean frustration and insecurity in dealing with South Korea and its allies.

In dealing with the United States, North Korea has skillfully employed a high-risk strategy—renouncing obligations under the NPT and the International Atomic Energy Agency (IAEA) safeguards agreement, threatening to destroy Seoul, and withdrawing from the Military Armistice Commission that oversees the demilitarized zone between the two Koreas. These strategies have created intense frustration among United States negotiators and South Korean policymakers, but their effectiveness has often been demonstrated by American eagerness to have high-level talks in response to North Korea's threats.

In this manner North Korea has extracted security-related concessions from the United States, such as cancellation of the Team Spirit military exercises by South Korean and American troops and a guarantee that nuclear weapons would not be used on the Korean peninsula. Though North Korea has yet to secure a peace treaty or diplomatic recognition, it believes it can achieve these aims by promoting tension on the peninsula.

North Korea apparently believes that the October 21, 1994, Geneva accord—a historic agreement negotiated between the United States and North Korea to bring the latter into the international community in return for the freezing of North Korea's nuclear programs—is one or two steps below an eventual peace treaty with and diplomatic recognition by the United States. For more than 40 years Washington's North Korea policy was based on the assumption that the country was so dangerous and untrustworthy that its behavior had to be punished. The Geneva accord reverses this stance and rewards a rogue state for promising to become a responsible member of the international community.

The Geneva accord, if successfully carried out, will enable North Korea to escape a German-style absorption by South Korea. The accord's timetable allows for a minimum of five years before inspections begin to determine how much weapons-grade plutonium North Korea has diverted in past years. Furthermore, it is expected to take eight to ten years to remove North Korea's 8,000 plutonium-laden fuel rods.

In accordance with the Geneva accord, North Korea first must freeze its nuclear weapons program, then the United States and its allies will provide Pyongyang with alternative sources of energy. In return for the freeze, the United States and its allies must begin work on the first of two light-water reactors for North Korea. Projected to cost over \$4 billion, they are to be financed mainly by South Korea and Japan. The Korean Peninsula Energy Development Organization (KEDO), a multinational consortium that assigns a central role to Seoul for this project, was established in March 1995.

The assignment of a key role to Seoul in KEDO revived North Korea's high-risk strategy, however. Rejecting South Korean-financed light-water reactors, it warned Washington that it would resume operations at its Yongbyon nuclear complex. In June 1995, Washington and Pyongyang agreed that although South Korea would play a central role in providing the light-water reactors, North Korea would not get light-water reactors with the label "Made in South Korea." And on July 11, 1996, North Korea and KEDO signed a protocol in New York on privileges, immunities, and consular protection for the KEDO staffs in North Korea.

Problems remain, the most important being how to share the rising reactor costs—which could easily exceed \$5 billion or even \$6 billion because of inflation and transportation costs. The United States is unable to contribute any money because of Congress's refusal to endorse the commitment to finance the project; this could complicate KEDO talks in the future.

The accord's second phase depends on progress by KEDO. In this phase North Korea must allow international monitors to inspect the two nuclear waste sites that were off limits to inspectors in the past. In the third and final phase, North Korea must dismantle its 5-megawatt Yongbyon nuclear reactor and destroy its partially finished 50- and 200-megawatt reactors. In exchange, the United States and its allies are to complete the construction of the second light-water reactor.

The accord offers the potential to accommodate

North Korea's desire for economic development and national security. It contains provisions that could jumpstart the North Korean economy, since trade with the United States, Japan, and other Western nations would eventually link the north to the world market. The construction of the light-water reactors will take ten years and North Korea has earned enough time to reform its system, if it is willing to do so.

The agreement also helps restore equilibrium on the Korean peninsula, which has been lacking since the end of the cold war. South Korea's normal-

ization of relations with Russia and China—unaccompanied by North Korea's normalization of relations with the United States and Japan—has created disequilibrium in the East Asian balance of power. But the Geneva accord has had the effect of restoring that balance since the prospects for cross-recognition are brighter than they have ever been. The deal between the United States and North Korea is thus more than a resolution of the nuclear issue; it signals the end to a half-century of enmity between the United States and North Korea.

FRUSTRATION AND DISCONTENT

Vacillating between their impulse to strangle North Korea and their wish to provide it assistance, South Koreans are uncomfortable with the Geneva accord's incomplete resolution of the north's nuclear program. South Koreans have grown frustrated in dealing with North Korea because their efforts seem

Americans returning from North Korea do not talk about North Korea preparing for invasion; only defectors to the south and South Korean officials say that it is.

to carry less weight with the north than those of former United States President Jimmy Carter, Robert Gallucci (who negotiated the Geneva agreement), and President Bill Clinton. They are angry because their bid to be the prime mover in the resolution of the nuclear crisis and other inter-Korean matters has proved futile: Washington gets the credit and Seoul shoulders the major financial burden in constructing the expensive light-water reactors in the north.

A triangle involving the United States, South Korea, and North Korea increasingly favors North Korea. North Korea's campaign to isolate South Korea has been fairly effective. Though officially Washington and Seoul maintain a kind of solidarity toward Pyongyang, growing Washington-Pyongyang contacts have changed Washington's perception of North Korea. The image of North Korea as a Stalinist regime bent on invading South Korea has changed to that of an economic basket case trying without much success to open itself to the outside world.

This image change is quite dramatic. In the past the North Korean threat was taken seriously because of the memory of the Korean War, the capture of a United States spy ship, the brutal murder of American servicemen at Panmunjom in the mid-1970s, and the downing of a Korean Airlines plane to sabotage the Olympic Games in Seoul in 1988. Today North Korea is viewed as a dying country that has lost the race with South Korea for legitimacy. The change in American attitudes toward North Korea is the result of numerous contacts between the two nations over the last eight years. Both the Reagan and Bush administrations encouraged a modest initiative aimed at ending North Korea's isolation from the mainstream of the East Asian region. Pyongyang's perception of America has also changed significantly. North Korea began with the perception that the United States, along with South Korea, was determined to destroy it, but today Pyongyang is increasingly relying on the United States to guarantee its survival.

American officials tend to take a relatively benign view of North Korea's hostile behavior toward South Korea. They emphasize North Korea's defensiveness rather than its bellicose nature. Unlike South Korean officials, who emphasize the possibility of a North Korean invasion, they believe the likelihood of war is very low. A recent assessment by the United States Defense Intelligence Agency (DIA) shows that North Korean military activity is directed at enhancing internal control; the assess-

ment also notes that its ability to conduct large-scale military operations continues to erode. Both the CIA and the State Department concur with a DIA view that North Korea is complying with the Geneva accord to freeze its nuclear project. These agencies reason that worsening economic conditions in North Korea make compliance more likely because North Korea knows that smooth relations with the United States are essential to its survival. Americans returning from North Korea do not talk about North Korea preparing for invasion; only defectors to the south and South Korean officials say that it is.

South Koreans have little faith in the ability of American officials to deal with "deceptive" North Koreans. Seoul wasted no time in discrediting the Clinton administration's moderate attitude toward North Korea when a spy submarine entered the south in September. The infiltration sparked a massive manhunt during which most of the agents either committed suicide or were killed. The incident gave South Korea an opportunity to reaffirm its view of North Korea as a rogue state that has not abandoned its policy of undermining South Korea. South Korean officials firmly believe that North Korea's unceasing effort to drive a wedge between the south and Washington is also designed to create division and turmoil in the south and undermine the government.

North Korea hopes that expanded United States-North Korean contacts and its calculated efforts to humiliate the Kim Young Sam government will erode public confidence in the southern government's ability to manage inter-Korean affairs. North Korea's ultimate purpose is to bring about significant policy differences between Seoul and Washington that would create an attractive context for North Korean peace proposals. North Korea, for example, no longer emphasizes the withdrawal of American troops as the necessary condition for a peace accord with Washington. South Koreans, pushed to the sidelines, sleep with the worst scenario, in which units of the 80,000-strong North Korean Special Operations Force arrive via boats, submarines, and light planes to attack Seoul and create chaos.

JUCHE JUNKED?

It is a supreme irony that North Korea, faltering economically and practically abandoned by its Russian and Chinese partners, hopes to survive with the help of its enemies: the United States and its allies. That beggars can't be choosers does not seem

to apply to North Korea. The quickest way to revive North Korea's economy and improve its standard of living would be through direct talks with South Korea and serious economic reform. But the North Korean government fears that such a course of action would be suicidal, since it would expose North Koreans to the freedoms of the south. North Korea will only discreetly transact with South Korea. The current arrangement of maintaining separate United States–North Korea, United States–South Korea, and South Korea–North Korea tracks is disappointing to South Korea, but not to North Korea. Washington's view that a North Korea with nuclear weapons constitutes the most serious threat to peace and stability on the Korean peninsula and in all East Asia has given North Korea an opportunity to confront the superpower and get something from it—official contacts, light-water reactors, interim energy supplies, the possibility of trade, and even diplomatic recognition pending the fulfillment of the Geneva accord. Pyongyang has skillfully exploited Washington's eagerness to discuss important issues—freezing the nuclear program, American soldiers missing-in-action from the Korean War, Pyongyang's missile sales to terrorist states in the Middle East, and the food shortages—and has used these discussions to drive a wedge between Washington and Seoul. This method of conducting business will continue.

Though no one can rule out the collapse of North Korea (in fact, President Kim Young Sam believes that it soon will occur), there are a number of factors pointing toward its holding out a few more years, if not indefinitely. First, there is consensus in the international community that North Korea must be integrated into it. Second, no nation, including South Korea, wants to see the collapse of North Korea. The four major powers—the United States, Japan, China, and Russia—fear the predictable negative consequences of such a collapse: refugees, killing, and chaos. And while South Koreans might feel satisfaction if North Korea collapsed and they achieved German-style unification, they know that such a scenario would be extremely dangerous.

Though South Koreans are angry at North Korea's intransigent behavior, they remain willing to help their fellow countrymen. If the Seoul government permitted it, South Korean businessmen would invest in the Rajin-Sonbong free-trade area, which has business links to mainland China, Russia, Japan, the United States, Canada, and other

countries (trade between the two Koreas amounted to several hundred million dollars in 1995, making South Korea North Korea's third-largest trade partner after China and Japan, and a major source of North Korea's hard currency). Seoul boycotted an investment seminar in the free-trade area held this September because the north refused to invite South Korean officials and journalists. The seminar was a major attempt by Pyongyang to link up with the outside world; some 550 business and media representatives, mostly from Japan, the United States, and China, attended. Various agreements were reached involving tourist promotion and the construction of hotels, a hospital, a motorcycle plant, and a telecommunications system.

Despite its official *juche* ("self-reliance") ideology, North Korea appears to have committed itself to the Chinese model. Moreover, the pace of economic reform in North Korea may accelerate when it obtains a peace treaty with the United States. North Korea's problem may be largely psychological. Without a peace treaty, it feels too insecure to embark on serious economic reform.

To dramatize the need for a peace treaty, North Korea has employed with the United States the double-edged tactics of courtship and nuclear brinkmanship. North Korea may think that its strategy and tactics have been effective gambits for a peace treaty with the United States. But the country's long-term security cannot be guaranteed by a peace agreement with the United States alone. Its survival depends on economic development, political stability, and the goodwill of South Korea and its allies.

The key problem is engaging the two Koreas in direct negotiations. At present, Seoul, despite its economic superiority, has no magical power that can change North Korea's attitude. Perhaps only the United States and Japan can open up North Korea through the normalization of relations. If and when North Korea is opened, it may acquire attitudes more compatible with Seoul's worldview. Then it may talk to the south. But for the present, South Korea vehemently rejects this option, saying it is incompatible with its domestic politics. The infiltration of the North Korean spy submarine in September is a clear reminder that the cold war continues on the Korean peninsula, undermining all the efforts Washington and Pyongyang have made to reach the Geneva accord. North Korea knows not only how to hurt its southern neighbor, but also how to hurt itself. ■

THE MONTH IN REVIEW

October 1996

INTERNATIONAL

Middle East

Oct. 2—A 2-day summit meeting in Washington, D.C., attended by Israeli Prime Minister Benjamin Netanyahu, Palestinian Authority President Yasir Arafat, and King Hussein of Jordan, ends; the meeting was held to discuss the Middle East peace process and last month's Israeli-Palestinian clashes on the West Bank and Gaza Strip that killed more than 70 people.

United Nations

Oct. 1—The Security Council votes unanimously to lift sanctions on Yugoslavia; the sanctions were imposed in 1992 for Yugoslavia's role in the war between Bosnian Serbs and the predominantly Muslim Bosnian government.

AFGHANISTAN

Oct. 5—The Taliban, a fundamentalist Sunni movement, launches an attack near the Panjshir Valley where forces loyal to Ahmad Shah Masud, a rival guerrilla leader, retreated after the Taliban took control of the capital city of Kabul late last month.

Oct. 8—Troops loyal to faction leader General Abdul Rashid Doestam drive Taliban forces from their positions near the Salang Tunnel north of Kabul.

Oct. 10—Doestam and Masud sign an agreement creating a formal military alliance between their armies; Shiite leader Abdul Karim Khalili also signs the agreement, in which the 3 men pledge to establish a non-fundamentalist government in the 9 provinces in which they hold power.

Oct. 19—Masud's forces recapture Bagram air base from the Taliban, 30 miles north of Kabul.

Oct. 25—The Taliban claims it has overrun the northwest province of Badghis and parts of neighboring Faryab province in an offensive it launched October 24; on October 21 the Taliban said it had reached a peace agreement with Doestam.

Oct. 27—The armies of Doestam and Masud launch joint air and ground attacks on the Taliban near the De Sabz pass, 20 miles north of Kabul.

Oct. 30—Masud's forces advance within 8 miles of Kabul; Doestam's forces drive the Taliban back from Faryab into Badghis.

ALGERIA

Oct. 21—Algiers Mayor Ali Boucetta is shot and killed, reportedly by an armed group of Islamic militants; 13 militants are later killed in a shoot-out with police.

BELARUS

Oct. 19—In Minsk, between 5,000 and 10,000 people gather to protest President Aleksandr Lukashenko's proposal to rewrite the constitution.

BELGIUM

Oct. 20—Some 275,000 people march peacefully in Brussels to protest the government's mishandling of an investigation into a pedophile and child pornography ring.

BOSNIA AND HERZEGOVINA

Oct. 15—The first units of 5,000 US troops who are to aid in the withdrawal of the more than 15,000 American peacekeepers in Bosnia arrive.

Oct. 22—Municipal elections are postponed until spring 1997; officials cite ongoing political problems, especially the Bosnian Serbs' threatened boycott; the elections had already been postponed once, from September 14.

The 3-member Bosnian presidency meets in Sarajevo, and Momcilo Krajisnik, the Serb member, takes a revised oath of office; he boycotted the October 5 inauguration, refusing to pledge support for a unified Bosnian state.

Oct. 24—Clinton administration officials say that the US is delaying a \$100 million arms shipment to Bosnia until the Bosnian government dismisses its deputy minister of defense, Hasan Cengic, who allegedly has close ties with the Iranian government.

BULGARIA

Oct. 2—Former Prime Minister Andrei Lukanov is murdered outside his home in Sofia.

BURMA

Oct. 23—The government arrests National League for Democracy vice chairman Kyi Maung, accusing him of fomenting unrest among the students who staged a protest yesterday against police brutality.

BURUNDI

Oct. 28—The Tutsi-dominated army admits that its soldiers killed at least 50 Hutu civilians in the southern province of Bururi on October 13; aid workers say more than 100 civilians were killed.

CANADA

Oct. 4—Defense Minister David Collenette resigns in connection with a high-level cover-up in the 1993 beating death of a Somali teenager by Canadian peacekeepers in Somalia; Human Resources Minister Doug Young will replace Collenette.

Oct. 25—In Toronto, thousands of people protest recent provincial government social spending cuts of almost \$1 billion.

CHINA

Oct. 5—Yao Wenyan, 1 of 2 surviving members of the Gang of Four, is released from prison after finishing a 20-year term for inciting violence during the Cultural Revolution.

Oct. 9—Authorities sentence pro-democracy activist Liu Xiaobo to 3 years in a labor camp; Liu was arrested yesterday.

Oct. 13—Radio Television Hong Kong reports that pro-democracy activist Wang Xizhe, a colleague of Liu Xiaobo, has escaped to Hong Kong.

Oct. 30—Pro-democracy activist Wang Dan is sentenced to 11 years imprisonment for "plotting to subvert the government."

COLOMBIA

Oct. 4—President Ernesto Samper's former campaign manager,

Fernando Botero, is sentenced to a 5-year prison term for accepting millions of dollars from the Cali drug cartel for Samper's 1994 election campaign.

- Oct. 18—The Supreme Court orders the dismissal of Attorney General Orlando Vasquez Velasquez over accusations that he used false witnesses in his investigation of a real estate deal involving Prosecutor General Alfonso Valdivieso; Vasquez was arrested on charges of drug corruption in May.
- Oct. 21—A bomb explodes outside police headquarters in the city of Montería in Córdoba province, injuring between 10 and 30 people; police say they suspect the guerrilla Revolutionary Armed Forces of Colombia.

FRANCE

- Oct. 7—The Corsican National Liberation Front claims responsibility for a bomb attack 2 days ago in the city hall of Bordeaux, ending an 8-month cease-fire.
- Oct. 17—Public employees strike nationwide to protest Prime Minister Alain Juppé's cutbacks in social services.
- Oct. 26—Corsican separatists fire a rocket into a police barracks in Porto-Vecchio, injuring 2 policemen.

GERMANY

- Oct. 9—Dismissing protests by the UN High Commissioner for Refugees, the state of Bavaria begins deporting Bosnian war refugees; Germany provided sanctuary to about 320,000 refugees during the Bosnian war.
- Oct. 10—German authorities arrest a German woman and a Palestinian man in the 1986 bombing of a night club in what was then West Berlin, and issue arrest warrants for 3 Libyan diplomats and 1 Libyan intelligence operative; the attack killed 3 people, including 2 US soldiers.

INDIA

- Oct. 2—Officials say that the pro-India National Conference, led by former Chief Minister Farooq Abdullah, has won 54 of 81 seats in Jammu and Kashmir's 87-seat assembly; the elections are the 1st since a separatist rebellion began in 1990.
- Oct. 9—Farooq Abdullah is sworn in as Kashmir's chief minister, ending 6 years of direct rule by the federal government; however, a strike called by the separatist All-Party Hurriyat Conference shuts down the capital, Srinagar.
- Oct. 30—Hours after appearing in court on forgery charges, former Prime Minister P. V. Narasimha Rao is charged with conspiring to pay legislators \$100,000 to support his government in a 1993 no-confidence vote.

INDONESIA

- Oct. 11—Bishop Carlos Ximenes Belo and pro-independence activist José Ramos-Horta are awarded the Nobel Peace Prize for their efforts to end oppression and violence in East Timor, a former Portuguese colony annexed by Indonesia in 1975.
- Oct. 14—In an interview, Bishop Belo condemns Indonesia's harsh rule in East Timor and calls for a referendum on autonomy and UN-mediated talks.

IRAQ

- Oct. 14—The Patriotic Union of Kurdistan (PUK) recaptures Sulaimaniya and ejects the Kurdistan Democratic Party (KDP), which took the city last month with Iraqi military assistance.
- Oct. 23—The US announces that a cease-fire has been reached between the PUK and the KDP; the agreement comes after a week of meetings in Turkey between representatives of the 2 factions and the US; Turkey and Britain also participated in the negotiations.

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Volume 4: "Latin America: Open for Business?"

The prospects for economic integration after NAFTA along with the economic travails of Mexico and the market successes of Chile are among the topics covered in this assessment of the new business climate in Latin America.

Oct. 28—UNICEF's executive director, Carol Bellamy, says at a news conference that approximately 4,500 Iraqi children under the age of 5 die each month from hunger or disease; the UN imposed economic sanctions on Iraq after the Iraqi invasion of Kuwait in 1990.

JAPAN

Oct. 20—In parliamentary elections, the conservative Liberal Democratic Party wins 239 of 500 seats; the New Frontier Party wins 156; the Democratic Party wins 52; the Communist Party wins 26 seats, up from 15; and the Social Democrats, once the main opposition party, win only 15 seats, half their previous total.

KOREA, SOUTH

Oct. 17—President Kim Young Sam dismisses Defense Minister Lee Yang Ho; the dismissal follows the incursion of a North Korean submarine last month; Kim Dong Jin, the chairman of the Joint Chiefs of Staff, will be the new defense minister.

Oct. 26—Former Defense Minister Lee is arrested on charges of accepting bribes from a defense contractor.

LEBANON

Oct. 11—The Israeli army shells the southern Lebanese village of Safad al-Batikh in retaliation for a Hezbollah attack inside Israel's self-declared "security zone"; 10 civilians are wounded in the Israeli attack.

MALTA

Oct. 28—Labor Party leader Alfred Sant, who has promised to end his country's bid to enter the European Union, is sworn in as prime minister after an upset election victory over the Nationalist Party 2 days ago.

NEW ZEALAND

Oct. 13—In yesterday's parliamentary elections, the conservative National Party wins 44 of 120 seats, the Labour Party 37, the populist New Zealand First 17, the left-wing Alliance Party 13, the right-wing ACT 8, and the centrist United Party 1; Prime Minister Jim Bolger of the National Party and opposition leader Helen Clark of the Labour Party both say they will try to form governing coalitions.

NICARAGUA

Oct. 23—The Supreme Electoral Council announces that preliminary results for the October 20 presidential elections show that Arnaldo Alemán of the rightist Liberal Alliance has won with 49% of the vote; Sandinista leader and former President Daniel Ortega received 38%; Ortega says that the election was marred by "serious irregularities."

NORWAY

Oct. 23—Prime Minister Gro Harlem Brundtland resigns, fueling speculation that she hopes to become UN secretary general.

PAKISTAN

Oct. 28—More than 2,000 students supporting the right-wing Party of Islam battle police and soldiers outside the parliament building in Islamabad; Party of Islam leader Qasi Hussein Ahmed, who vowed yesterday to oust Prime Minister Benazir Bhutto from power, is arrested.

PALESTINIAN AUTHORITY

Oct. 8—Palestinian Authority President Yasir Arafat makes his 1st public visit to Israel; during a meeting with Israeli President Ezer Weizman, Arafat announces that he has issued

"permanent orders" forbidding Palestinian police to fire on Israeli soldiers; last month gunfire erupted between Palestinian police and Israeli soldiers on the West Bank and Gaza Strip.

Oct. 10—Israel announces that with the exception of Nablus, it will lift restrictions on Palestinian movement within self-rule areas as of October 13 and allow the return of 35,000 Palestinian workers to Israel.

RUSSIA

Oct. 16—Interior Minister Anatoly Kulikov accuses national security adviser Aleksandr Lebed of planning a "mutiny" and announces a security alert for the major cities; Lebed denies the accusation.

Oct. 17—Citing the need for unity in his administration, President Boris Yeltsin dismisses Lebed.

Oct. 19—Yeltsin names Ivan Rybkin, a moderate who served previously as speaker of the Duma, to replace Lebed.

SOUTH AFRICA

Oct. 11—Judge Jan Hugo acquits former Defense Minister Magnus Malan and 9 others, including the secretary general of the Inkatha Freedom Party, of arming and training the death squad that killed 13 people, mostly women and children, in a 1987 attack on the home of an African National Congress supporter.

Oct. 30—Judge Willem van der Merwe sentences Eugene de Kock, former head of a police assassination squad, to 2 life sentences and more than 200 years in jail; de Kock was convicted in August of 89 charges, including 6 murders.

TURKEY

Oct. 17—Prime Minister Necmettin Erbakan's 4-month-old coalition government survives a no-confidence vote, 275 to 256; the vote was called after Erbakan made an unpopular visit to Libya earlier this month.

UNITED KINGDOM

Northern Ireland

Oct. 8—The IRA claims responsibility for yesterday's car bomb attack on a British army base south of Belfast that injured 21 soldiers and 10 civilians.

UNITED STATES

Oct. 7—In Washington, D.C., a district court federal judge sentences Omar Mohammed Ali Rezaq, a Palestinian convicted of the 1985 hijacking of an Egypt Air flight bound for Cairo that killed 60 people, to life in prison.

ZAIRE

Oct. 10—Fighting breaks out between the Zairian army and Banyamulenge guerrillas near the town of Uvira; the Banyamulenge, a Tutsi subgroup that has lived in the area for 200 years, have been stateless since their citizenship was revoked in 1981; in response to an uprising in September, a local official ordered 400,000 Banyamulenge to leave the country earlier this month.

Oct. 21—A UN official says that more than 220,000 Hutu refugees have fled their camps to escape the ongoing fighting.

Oct. 30—For the 2d day, Zaire and Rwanda exchange artillery fire across the border.

Oct. 31—Tutsi rebels battle Zairian troops for control of Goma's airport; Zaire says the "rebels" are Rwandan soldiers, but Rwanda insists they are Zairian Tutsi guerrillas; the fighting is likely to shut down the last of the relief operations aiding at least 700,000 refugees in the region. ■

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Errata: In a March 1996 article, "Macedonia:
 Balkan Miracle or Balkan Disaster?" by Duncan
 M. Perry, Andreas Papandreou was incorrectly
 stated to have been elected president of Greece
 in 1982. Papandreou was elected prime minis-
 ter of Greece on October 18, 1981.

An editing error in the May 1996 issue
 resulted in an incorrect identification of
 Rwanda's Party for Hutu Emancipation
 (PARMEHUTU) as the Hutu People's Liberation
 Party (PALIPEHUTU) in Pierre Chretien's arti-
 cle, "Burundi: The Obsession with Genocide."

In the November 1996 issue, Quinnipiac
 College was spelled incorrectly in Patricia
 Kelly's author biography.

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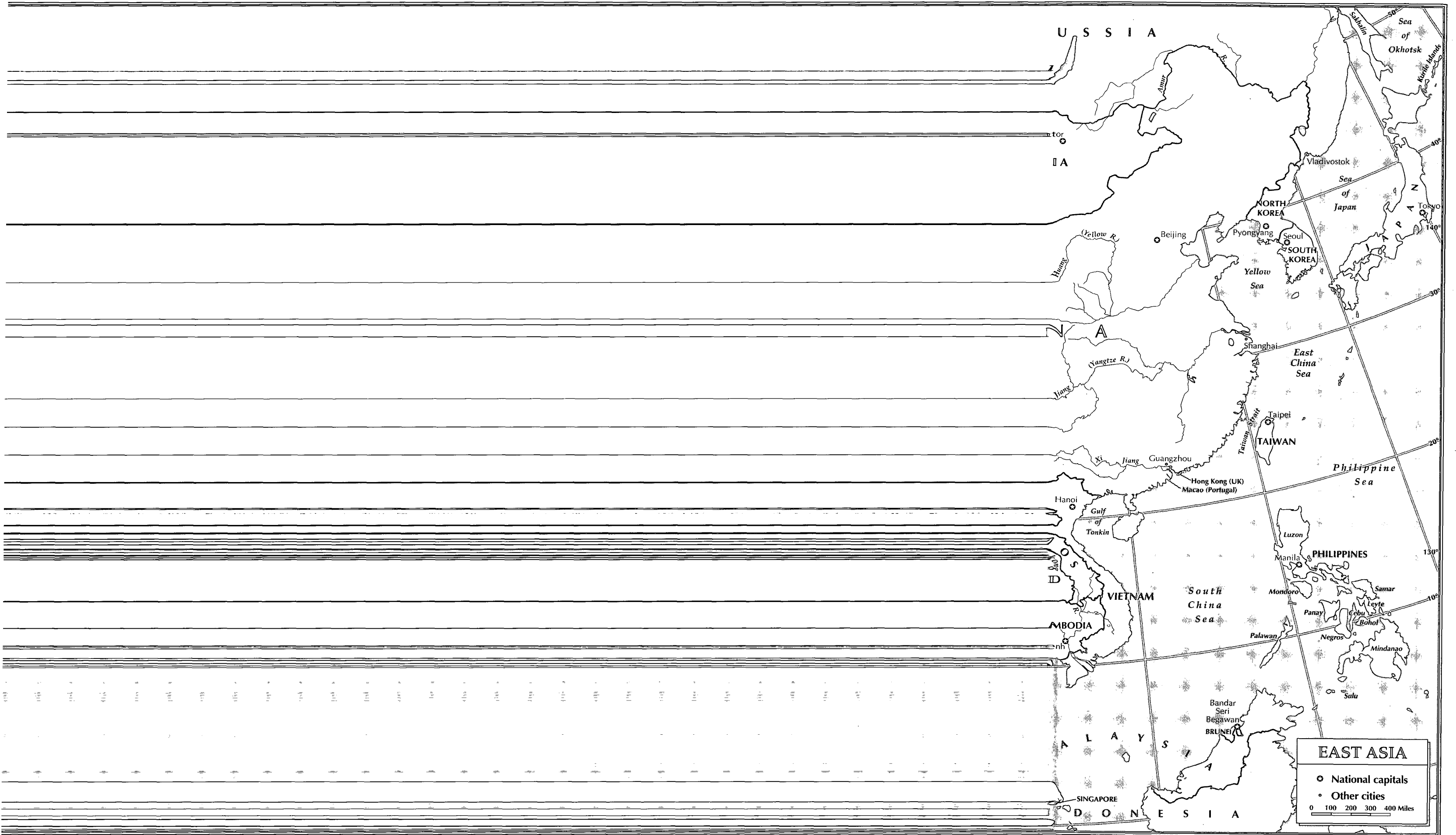
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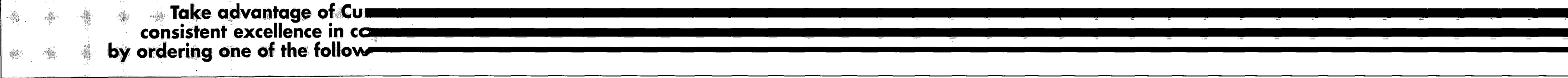
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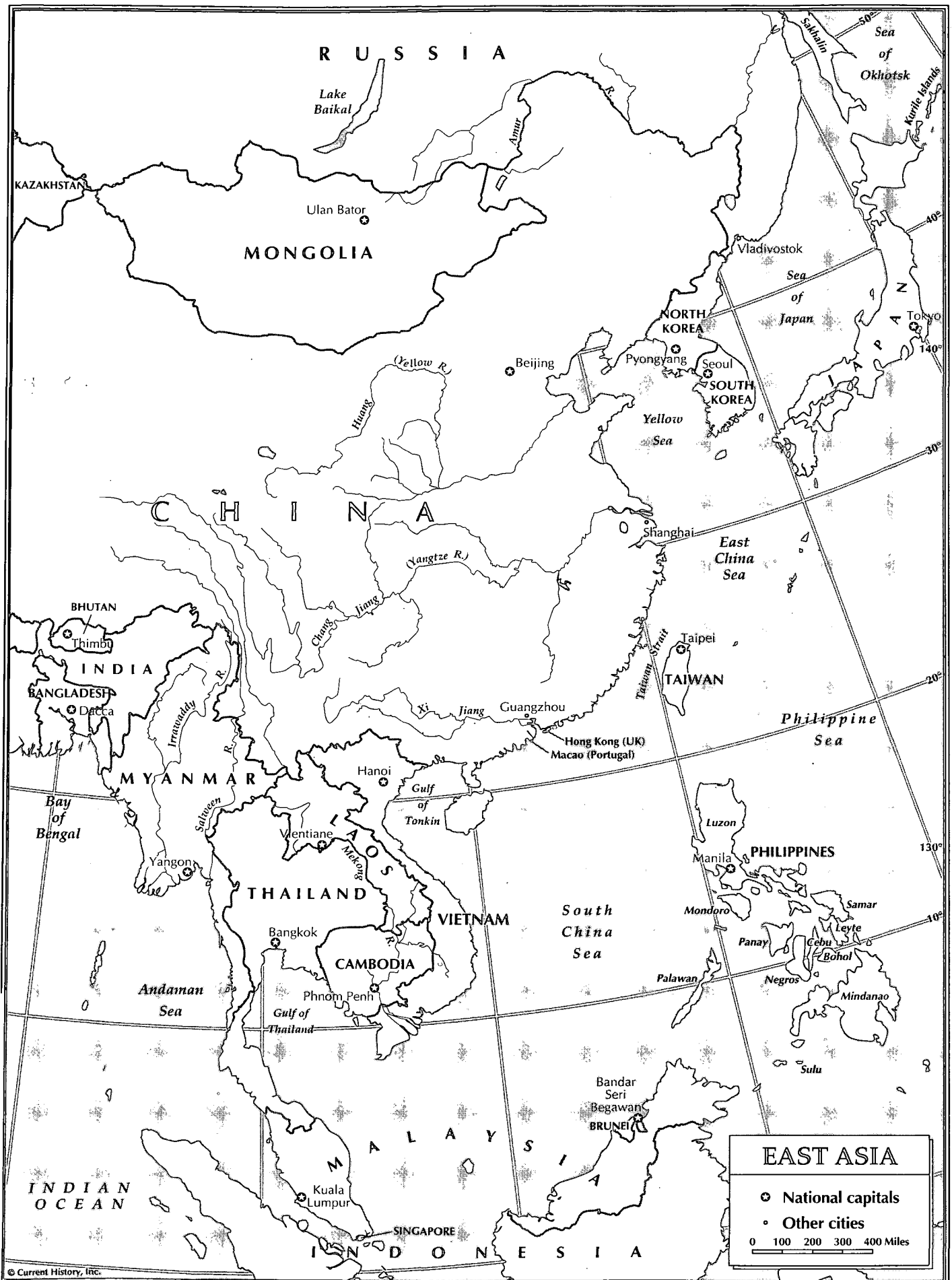
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